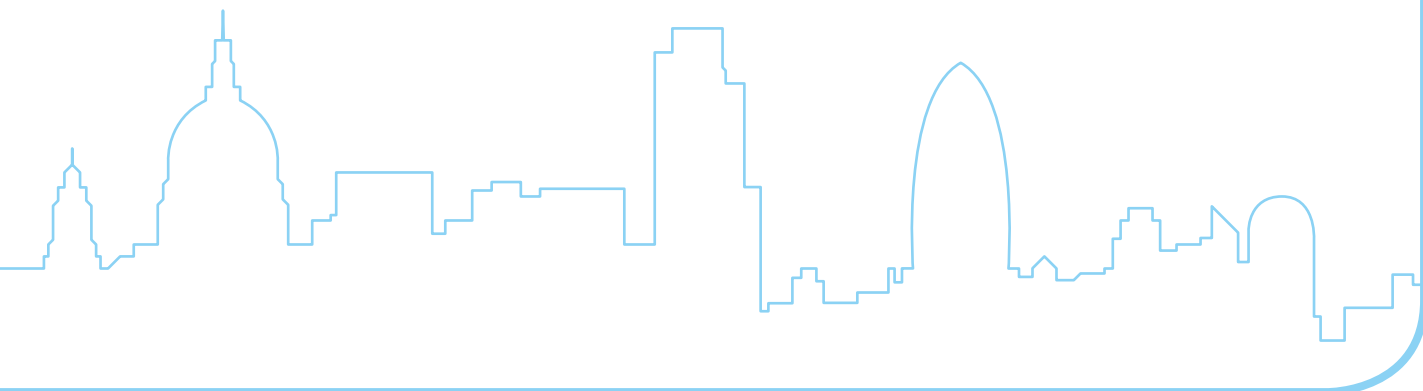


# Annual Report 2009



# Tullett Prebon is one of the world's largest inter-dealer brokers, and acts as an intermediary in the wholesale financial markets, facilitating the trading activities of its clients, in particular commercial and investment banks.

The business covers the following major product groups: Fixed Income Securities and their derivatives, Interest Rate Derivatives, Treasury Products, Equities and Energy. The business brokers the products on either a 'Name Give-Up' basis (where all counterparties to a transaction settle directly with each other) or a 'Matched Principal' basis. Tullett Prebon does not take any proprietary positions.

Tullett Prebon's business model provides for two types of trading activity:

- **traditional voice broker product**, where brokers discover price and liquidity for their clients, supported by proprietary screens displaying historical data, analytics and real-time prices; and
- **hybrid electronic platforms**, which cover asset classes that include US, European and Scandi Repo, US Fixed Income, FX Options, Cash Credit and CDS, and Energy.

Tullett Prebon also has an established data sales business, Tullett Prebon Information, which collects, cleanses, collates and distributes real-time information to data providers. This is now part of Risk Management Services (RMS), launched in 2009. RMS provides clients with post-trade matching services and associated market data.

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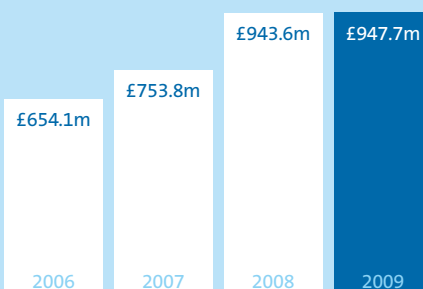
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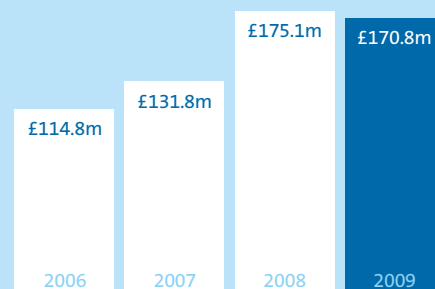
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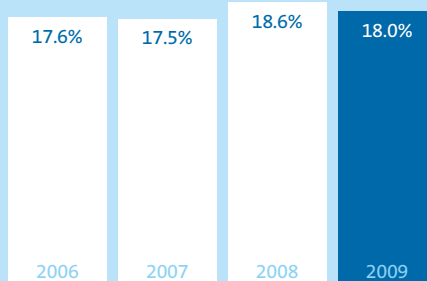
**Revenue**



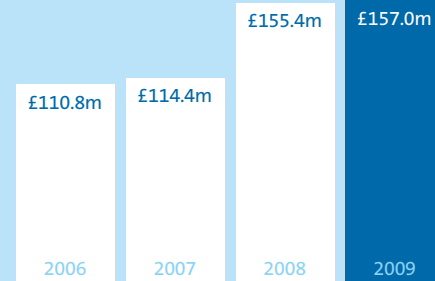
**Operating profit\***



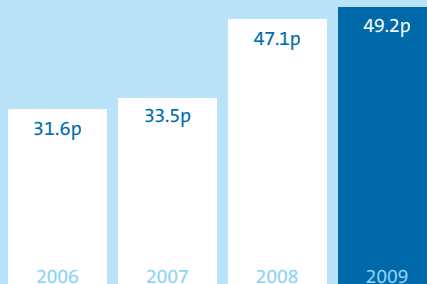
**Operating margin\***



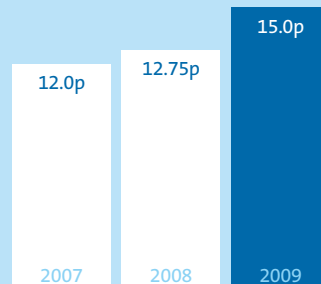
**Adjusted\*\* profit before tax**



**Adjusted\*\*\* EPS**



**Dividend**



\* Operating profit and operating margin for 2008 are stated before exceptional items.

\*\* Adjusted profit before tax is stated before non-cash gains and losses in net finance income/(expense), and for 2008 is before exceptional items.

\*\*\* Adjusted EPS is stated before non-cash gains and losses in net finance income/(expense) net of tax, prior year tax items, and capital tax items, and for 2008 is before exceptional items.

## Chairman's Statement

The robust performance of the business during 2009 has been achieved despite circumstances and events which have not always been helpful. It reflects the value of the service the business provides to participants in the world's over-the-counter ('OTC') financial markets, the continuing underlying need for those markets to operate effectively and the benefits of actions taken by management.

### Results

The results are explained in detail in the Business Review.

Revenue of £947.7m was marginally higher than for 2008, with lower underlying revenue due to reduced levels of market activity compared with the highly volatile second half of the previous year, offset by the recovery of the US dollar which is reflected in the value of the results of the North American operations.

Operating profit of £170.8m is £4.3m lower than for 2008, reflecting a reduction in operating margin. Given that there is some operational leverage in the business, operating margins are adversely affected by lower levels of underlying revenue, but at 18.0% for 2009 are only a little lower than the 18.6% for 2008. This reflects the active management of our front office costs, the benefit of the actions taken at the end of 2008 to reduce fixed support costs, the investments made in increasing the scale and breadth of the business, and strong management control.

After lower financing costs, adjusted profit before tax of £157.0m compared with £155.4m in 2008. With a reduction in the effective tax rate to 33.8%, adjusted basic earnings per share were up 4% to 49.2p.

The business has low capital requirements and excellent cash flow characteristics. Operating cash flow for the year was £137.9m and at the end of the year net funds amounted to £9.0m (2008: net debt of £17.4m) – realising the Company's objective of substantially reducing its previous levels of net debt. Since the return of £301.5m of capital to shareholders in early 2007 the business has reported net cash flow before dividends and debt repayments of £250m and over the same period has paid £76m of dividends to shareholders.

### Dividends

The Board recognises that dividends are an important element of shareholder return. Reflecting the strong financial position it is recommending a final dividend of 10.0p per share, making the total dividend for the year 15.0p per share, an increase of 18% on the 12.75p per share paid for 2008. The final dividend will be payable on 20 May 2010 to shareholders on the register on 30 April 2010.

### Shareholder returns and OTC market development

The Company's overall objective is to maximise returns to shareholders over the medium to long term, at an acceptable level of risk.

Total shareholder return for 2009 was 114% which compares to the return from the FTSE 250 index of 51% and the General Financials sector index of 48%. Our TSR performance was, however, largely driven by a recovery in the share price from the very low level at the end of 2008, which arose from the general de-rating of financial services businesses. We are well aware that, despite generally good

performances over the last two years, the Company's share price at the end of 2009 was 40% lower than the average closing price during the first half of 2008, before the financial crisis. The continued low earnings multiple currently applied to the Company mainly reflects concerns over the future prospects for the inter-dealer broker sector. While it is generally not sensible for boards to conclude that the value the market places on their company is wrong, we do owe it to our shareholders to say that we believe that the concerns over the future of the sector are largely misplaced.

Our own views on the development of the sector are articulated in the Business Review. The wholesale OTC markets are critical to the effective functioning of the world's financial system. Tullett Prebon is the world's second largest inter-dealer broker and has a vital role in facilitating trading in these markets by finding and creating liquidity through price and volume discovery, and by providing clients with an effective means of conducting their trading activities.

Commentators, governments and regulators continue to debate the various proposals put forward in both the US and Europe to improve the efficiency and strength of OTC derivatives markets. We believe that the effective and efficient operation of OTC markets will necessarily continue to rely on intermediaries to provide liquidity and appropriate infrastructure to facilitate trading and risk management. Our expertise and depth of our liquidity pools make us well positioned to continue to provide valuable support to our clients and we expect to be able to adjust effectively to any changes in our markets which arise from the discussions taking place.

Our strategy is to continue to focus on providing services as an intermediary in wholesale OTC markets, and to continue to build a business with the scale and breadth to deliver superior performance and returns, whilst maintaining strong financial management disciplines.

The Company is continuing to invest in electronic trading platforms and in broadening its activities as an inter-dealer broker, including the two recent acquisitions in Energy OTC broking, new broker hires and the agreement to acquire one of the leading inter-dealer brokers in Brazil.

### Risk

As an intermediary, the business does not take any trading risk and does not hold principal trading positions. The business only holds financial instruments for identified buyers and sellers in matching trades. Such transactions are settled rapidly and the business does not retain any contingent risks.

As we explained last year, following the financial crisis in the second half of 2008, our management teams conducted a very thorough re-analysis of risks, mitigations and controls which was carefully reviewed by the Board and Audit Committee. This process also involved external advisers. During 2009 management has continued with this work taking into account changes in market circumstance. The Audit Committee is chaired by my colleague Richard Kilsby, who has considerable experience in the relevant areas. During the year it has twice formally reviewed and updated the Risk Assessment Framework.

We do not regard this as a theoretical exercise. The Company has a clear understanding of its risks and the necessary controls and has consistently embedded the results of this work in its day-to-day management, communications processes and behaviours, which are routinely monitored by our internal audit procedures. Although supported by internal specialists, all our senior executives regard risk analysis, maintenance of controls and timely response as their responsibility. Both management and the Board continue to have a questioning and alert attitude to this issue.

The business is also focused on relatively uniform activities which the management understands and we have a clear and firm approach to regulatory compliance in all circumstances.

The Business Review includes a detailed analysis of our risks. It is not possible to eliminate risk in any business but, provided this one is competently managed and led, the nature of its trading activities and the controls in place should not give rise to unacceptable levels of risk.

#### Remuneration and staff matters

The Remuneration Report is set out on pages 30 to 35. The Remuneration Committee is now chaired by my colleague Rupert Robson.

The inter-dealer broker sector is characterised by high variable remuneration for brokers. There is strong competition in the sector for the best staff. There are five substantial OTC inter-dealer broking businesses in the world and only two of these are UK listed companies. In order to maintain returns and value, in the best interest of the Company it is necessary for us to pay competitive remuneration in order for us to recruit, retain and incentivise good brokers. This remuneration is predominantly directly based on performance and we do not pay comparatively high fixed remuneration and do not believe it would be appropriate for us to do so, although this trend is perversely currently being encouraged by some commentators.

Following the financial crisis we had anticipated that UK financial services regulatory guidance on issues relating to remuneration would have been fully updated during 2009. While that process is still incomplete, its development to date indicates that its emphasis will largely be on the specific relationship between remuneration and risk for each business' trading activities. We are generally supportive of this approach.

We have again carefully reviewed that relationship for this business. This review has involved both the Remuneration and Audit Committees, which have again had the benefit of external expert advice. As noted in my comments above on risk, the Company's trading activities are restricted to broking, do not involve taking principal trading positions and normally result in rapid and complete settlement. We do not have measurement issues relating to what is known as long tail exposures. Accordingly we regard the risk arising from our remuneration policies as low and do not believe that our approach to remuneration gives rise to an increase in risk – indeed since it is performance based and losses can be rapidly identified it should discourage risk.

During the year we experienced a number of what are called 'raids' on broking staff by a competitor called BGC, affecting our UK, Asian and particularly North American business, where 77 brokers resigned. The Board believes that it has a duty to pursue every available legal remedy to enforce the Company's contractual and other rights in response, regardless of the inevitably negative publicity that may arise from doing so. To do otherwise would weaken our future competitive position. Actions have been taken to rebuild staffing levels with new hires and to strengthen the relevant management teams and processes so as to reduce the potential scale of similar events in future.

The Company has continued to work hard on developing management succession and upgrading the professionalism of its management and management processes. The positions of Chief Operating Officer and the Chief Executive Officers of all of its regions have all been filled by internal appointments of staff developed within the business.

#### Outlook

Although the world's financial markets have remained unsettled, overall activity in the markets slowed in the second half of 2009 in comparison to the particularly volatile markets experienced in the autumn of 2008 and into the first half of last year. As expected, activity currently remains at this more normal level.

The underlying revenue run rate in the first two months of the year is 5% lower than a year ago at constant exchange rates. We expect this run rate against prior year to improve, particularly in the second half. In addition, the net effect of the broker defections in North America has been to reduce revenue by 6%. The benefit from the actions that we have taken to mitigate the impact of the broker defections will increase during the year as the rebuilding programme continues and the new brokers hired build up to their full run rate of revenue.

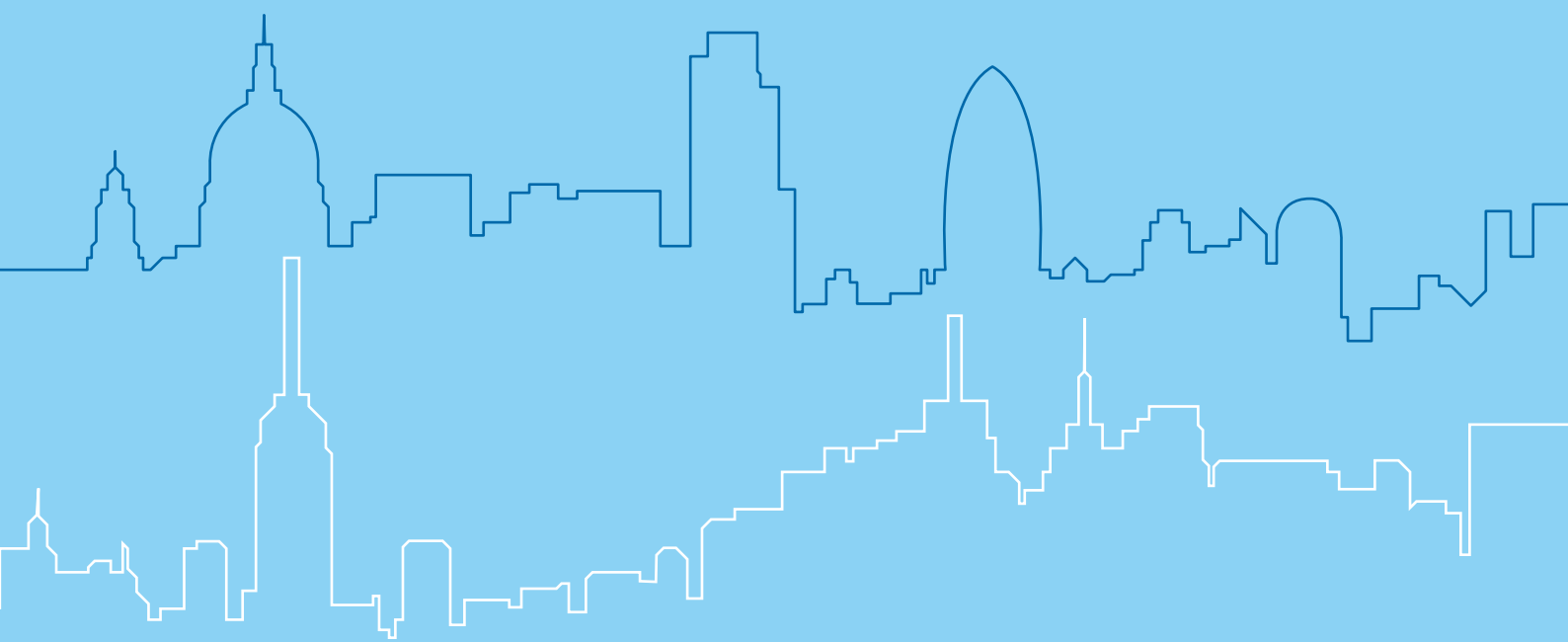
The eventual outcome of the regulatory debate about how to strengthen the financial system remains uncertain, but we are confident that our role as an intermediary in the OTC markets will continue to be vital and that our business will continue to add significant value to our customers. We have a well diversified and robust business, and we are well positioned to respond to and to benefit from, changes in the way in which the OTC markets and our customers operate and are regulated.

**Keith Hamill**  
Chairman  
8 March 2010

# Business Review

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- 06 Regulatory Developments
- 07 Overview
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## Objectives, strategy and risk profile

The Company's objective is to maximize returns to shareholders over the medium to long term, at an acceptable level of risk.

The strategy to achieve this objective is to continue to build a business, operating as an intermediary in the wholesale OTC financial markets internationally, with the scale and breadth to deliver superior performance and returns, whilst maintaining strong financial management disciplines.

The key actions to deliver this strategy are:

- Develop and maintain strong pools of liquidity in all major financial products and all major financial centres;
- Attract and retain key revenue producers;
- Development of electronic broking capabilities to support our voice broking expertise;
- Focus on improving contribution rates; and
- Focus on maintaining an appropriately sized support cost base.

As an intermediary, the business does not take trading risk and does not hold principal trading positions. The key day-to-day risks faced by the business are counterparty credit risk (which in the event of a counterparty default becomes a market risk) and settlement risk.

Around three-quarters of the revenue is derived from Name Give-Up activities, where the business is not at any time counterparty to the trade, and where its exposure to a client is limited to outstanding invoices for commission. All activity relating to derivatives is undertaken Name Give-Up. The level of invoiced receivables is monitored closely, by individual client and in aggregate, and there have been very few instances in the last few years when invoiced receivables have not been collected.

The balance of the revenue is derived from Matched Principal activities, where we are the counterparty to both sides of a matching trade. To mitigate settlement risk the business undertakes transactions on a strict delivery-versus-payment basis. In the event of a client default in a Matched Principal trade, our exposure is not to the principal amount but to the movement in the market value of the underlying instrument, and so our exposure becomes a market risk. This risk is mitigated by use of central counterparty services and other default risk transfer agreements wherever possible, and where such services are not available, by taking swift action to close out any position that arises as a result of a client default. Once a Matched Principal transaction has settled (usually 1–3 days after trade date), there is no ongoing risk for the business.

Discussion of our risk management governance structure and the Group's risk profile is included on pages 15 to 18.

## Business Review continued

### Regulatory developments

Various proposals aimed at strengthening the financial system generally, and the operation of the OTC derivatives markets specifically, continue to be debated by regulators and politicians in both the United States and Europe.

There are three common objectives of the proposals directed at the OTC derivatives markets:

- A reduction in operational risk through increased standardisation of contracts and increased use of electronic post-trade processing;
- A reduction in counterparty risk through increased use of central counterparties ('CCPs') and higher collateralisation and capital charges for bilateral contracts; and
- An increase in transparency through increased use of electronic trading platforms and increased pre and post-trade reporting and use of trade repositories.

The proposals directed at reducing the systemic risk of individual financial institutions seek to do so through, amongst other matters, introducing increased capital and liquidity requirements, specific tax disincentives or levies, and restrictions on activities.

It is difficult at this stage to accurately judge how or when these proposals will be implemented or to estimate the effect that these proposals will have on the level of overall activity in the OTC markets. We are, however, confident that vibrant OTC markets will remain essential to the effective operation of the world's financial system, and that the role of intermediaries in those markets, creating liquidity and facilitating efficient trading and risk management, will be of increasing importance.

There remain a number of misconceptions about the proposals and their potential impact on OTC markets, how trading is undertaken, and how well positioned individual inter-dealer brokers and other trading venues are to respond and benefit. We put forward the following views.

It is neither practical nor desirable for all OTC derivatives to become standardised. One of the primary reasons that OTC markets exist is because of the need for financial institutions and end-users to manage their risks through bespoke contracts. Restricting the range of products that are available to manage risk positions would be counter productive to improving the strength of the financial system or the economy.

Those OTC derivatives that are deemed to be standard will not all migrate to trading on exchanges. The proposals in both Europe and the US allow for standardised OTC derivatives to be traded on venues other than exchanges, including Multilateral Trading Facilities in Europe (which our existing electronic platforms in the region are registered as), and Alternative Swap Execution Facilities in the US, the current definition of which covers our operations. In addition it is not universally accepted that mandating trading on organised markets is appropriate. In the UK the FSA argue that such a move would be detrimental and that the regulatory objectives can be achieved by other means.

It is inconceivable that OTC derivatives trading will all move onto pure electronic platforms. Pure electronic platforms, without intervention or support from brokers, are suitable only for the very few highly liquid and highly standardised OTC products, and these are already transacted on such platforms. The role of voice broking in providing liquidity will continue to be required in all but the most standardised of products. The hybrid model in electronic broking, under which electronic solutions operate together with and alongside voice brokers, is much more suitable for the majority of OTC derivatives products. Hybrid platforms have evolved from voice broking and the provision of pricing and volume data into execution platforms and we believe that the process of 'electronification' in OTC derivatives markets will continue to be evolutionary.

It is not plausible that all OTC derivatives will move to being cleared through a CCP. Moves to central counterparty clearing transfer rather than eliminate risk and it is essential that CCPs are able to manage the risks effectively. Some products are unsuitable for central counterparty clearing and we agree with the FSA that CCPs should not be forced to clear a product if they are unable to manage the risks of doing so. Nor does it follow that if an OTC derivative product is cleared by a CCP it will no longer be voice brokered. Interest rate swaps in the inter-bank market have been successfully cleared through SwapClear since 1999 with over 60% of all inter-dealer swap volumes now cleared through this facility. Interest rate swaps remain one of the largest voice brokered OTC products.

The OTC markets and the inter-dealer broker ('IDB') sector are not synonymous. The majority of OTC transactions are undertaken directly between banks and other counterparties. The proportion of the total market volume that is transacted through IDBs appears to be increasing. We believe that this trend is likely to continue as banks seek to gain the benefits of accessing deep liquidity and trading anonymously, as well as facilitating reductions in their fixed costs, that are achieved by executing trades through IDBs.



## Overview

Activity in many of the markets in which we operate was lower during 2009 than 2008, particularly in the second half when activity in 2008 was boosted by the upheaval in financial markets following the collapse of Lehman Brothers.

Revenue of £947.7m is slightly higher than reported for 2008, with lower underlying revenue due to reduced levels of market activity offset by more favourable translation exchange rates for our North American and Asian operations. Operating profit of £170.8m is £4.3m lower than for 2008, reflecting a reduction in operating margin. Given that there is some operational leverage in the business, operating margins are adversely affected by lower levels of underlying revenue, but at 18.0% for 2009 are only a little lower than the 18.6% for 2008. This reflects the active management of our front office costs, the benefit of the actions taken at the end of 2008 to reduce fixed support costs, and strong management control.

There has been significant structural change in the banking industry and adjustments to the business models of many of our customers following the unprecedented events in the world's financial markets during 2008, including a reduction in risk appetite and financial sector leverage. This has resulted in a move of capital away from more complex structured products towards the more traditional 'flow' products, towards cash products rather than derivatives, and towards first derivatives rather than complex secondary and tertiary derivatives. Volumes in emerging markets products, volatility products and equity related products have been particularly affected. The majority of our business, however, is in the more traditional 'flow' products of foreign exchange and interest rate swaps – although volumes were also generally lower in these areas than in 2008 – and in government bonds and corporate bonds – where the level of activity during the year was supported by high levels of issuance.

The business is well diversified across both products and geographies and our performance in 2009 has benefited from the investments made in the last two years in increasing the scale and breadth of the business. In particular, our business in Europe has benefited from the investments made in Credit through both broker hires and the launch of an electronic broking platform, and in Energy through the acquisitions of Primex and Aspen.

Some of the emerging markets offer significant opportunities as their wholesale financial markets continue to develop and in October 2009 we announced that we had reached agreement to acquire Convenção, one of the leading and most well respected IDBs in Brazil, marking our entry to the on-shore Latin American market. The acquisition is conditional on approval from the Brazilian authorities, including the Central Bank of Brazil, and is expected to complete in the second quarter of 2010.

We have continued to develop our electronic capabilities and market share. Our focus is on the 'hybrid' model under which electronic platforms build upon and support the business' excellent voice broking franchise and high level technology to create a set of tools that enable our brokers to provide a full broking service to meet client demand. We have a growing suite of efficient and stable electronic platforms which are competitive with similar platforms provided by our peers.

In addition, we are developing our post-trade risk management services. In response to client demand we have extended the coverage of tpMATCH, our FRA matching platform, to all major currencies in multiple tenors, enabling clients in all three regions to reduce their interest rate risk. The recently announced acquisition of OTC Valuations will complement our Information Sales business and will allow us to meet the increasing demand for independent valuation services. Revenues from our established Information Sales activities together with 'hybrid' revenues from products that have established electronic execution capability now represent approximately one-sixth of the Group's total revenue.

Between August and December 2009, 77 brokers on certain desks in our North American business resigned following a raid on the business by BGC. Although these brokers did generate substantial revenue, actions are being taken to strengthen the management and organisation of our North American business, including replacing staff. We have hired new senior management to lead our credit and mortgage backed securities activities and are making progress in recruiting brokers in these and other affected areas. Legal action is being taken against BGC and former employees in the US and also in London, and against former employees in Hong Kong who have unlawfully terminated their employment with us in order to join BGC, following raids earlier in the year on our London and Hong Kong businesses.

## Business Review continued

Our key financial and performance indicators for 2009 compared with those for 2008 are summarised in the table below.

Reported revenue in 2009 of £947.7m was slightly higher than 2008, and was 9% lower at constant exchange rates. Year end broker headcount was 2% lower, and average revenue per broker at £565k was 7% lower at constant exchange rates. The reduction in broker headcount reflects the impact of the cost reduction action taken at the end of 2008 and the decline in headcount in North America due to the defection of the brokers in the second half of the year, which has offset increased headcount in Europe and Asia Pacific.

Reported operating profit for 2009 of £170.8m is 2% lower than in 2008 and is 11% lower at constant exchange rates. The operating margin has reduced by 0.6% points to 18.0%. The objectives of the cost reduction action undertaken towards the end of 2008 to increase flexibility in front office costs and to reduce absolute support costs have been delivered. Broker compensation as a percentage of broking revenue has, however, increased by 0.5% points to 58.0%, driven by increases in North America and Asia due to inefficiencies in certain desks as a result of revenue declines, and generally increased costs of employment across the business as a result of competitive pressures. Support costs have been significantly reduced, driven by reductions in headcount. Non-broker headcount of 824 at the end of 2009 is 7% lower than at the end of 2008 and 13% lower than at June 2008.

	2009	2008	Change	
			Reported	Constant Exchange Rates
Revenue	<b>£947.7m</b>	£943.6m	+0%	-9%
Operating profit	<b>£170.8m</b>	£175.1m	-2%	-11%
Operating margin	<b>18.0%</b>	18.6%	-0.6% points	
Broker headcount (year end)	<b>1,612</b>	1,653	-2%	
Average revenue per broker (£'000)	<b>565</b>	548	+3%	-7%
Broker employment costs : broking revenue	<b>58.0%</b>	57.5%	+0.5% points	
Non-broker headcount (year end)	<b>824</b>	889	-7%	

## Operating review

The tables below and on page 10 analyse revenue and operating profit for 2009 compared with 2008. A significant proportion of the Group's activity is conducted outside the UK and the reported results are therefore impacted by the movement in the foreign exchange rates used to translate the results of non-UK operations. In order to give a more meaningful analysis of performance, revenue and operating profit growth rates for 2009 shown below are presented both as reported, and calculated using translation exchange rates for 2008 consistent with those used for 2009. The commentary on pages 9 and 10 refers to growth rates at constant exchange rates.

### Revenue

Revenue in many product areas was lower in 2009 than in 2008, reflecting the lower activity in the markets, particularly during the second half, when revenue in 2008 was boosted by the exceptional levels of volatility during the height of the financial crisis.

Within Treasury Products, which covers FX and cash, the reduction in revenue is most marked in FX options and in emerging market FX forwards, including non-deliverable forwards, reflecting the reduction in risk appetite and capital deployed in those areas.

Similarly, within Interest Rate Derivatives, the reduction in market activity in the product areas of interest rate options and emerging market interest rate swaps was more marked than the reduction in G7 currency interest rate swaps.

The growth in revenue in Fixed Income reflects the strength of our franchise in this area, and the high volume of activity in government and corporate bonds in both Europe and North America, especially in the first half. Activity in credit derivatives in both regions has suffered due to regulatory uncertainty, and in North America revenue in the last quarter was affected by the broker departures.

In Equities revenue from both equity derivatives and cash equities was lower, reflecting lower equity market values and lower activity.

Commodity markets have continued to be volatile and our Energy business has benefited from this and from the increased depth and breadth of the business from the acquisitions of Primex and Aspen, enhancing our presence and liquidity in a wide range of oil products.

Our Information Sales business has continued to benefit from increasing customer demand for both real-time and end-of-day data and from an expansion of the customer base. In addition, our post-trade Risk Management Services have grown strongly following the extension of the product and geographic coverage of tpMATCH.

### Europe

Revenue in Europe has increased by 7%. Broker headcount in Europe at 788 is 4% higher than a year ago and average revenue per broker has increased by 3%. The business has delivered strong growth in revenue in Fixed Income and Energy, benefiting from buoyant markets and the investments made in these areas over the last two years. Revenue in Treasury Products and Interest Rate Derivatives has been affected by lower activity in emerging market products. The Equities business, which is the smallest product group in Europe, is mainly focused on equity derivatives which have suffered from both lower equity market values and lower volumes.

Revenue by product group	2009 £m	2008 £m	Change	
			Reported	Constant Exchange Rates
Treasury Products	<b>238.9</b>	246.1	-3%	-12%
Interest Rate Derivatives	<b>192.0</b>	220.9	-13%	-22%
Fixed Income	<b>317.1</b>	282.1	+12%	+2%
Equities	<b>74.0</b>	94.2	-21%	-29%
Energy	<b>100.6</b>	81.5	+23%	+13%
Information Sales and Risk Management Services	<b>25.1</b>	18.8	+34%	+32%
	<b>947.7</b>	943.6	+0%	-9%

Revenue by region	2009 £m	2008 £m	Change	
			Reported	Constant Exchange Rates
Europe	<b>542.6</b>	504.1	+8%	+7%
North America	<b>318.0</b>	339.6	-6%	-23%
Asia Pacific	<b>87.1</b>	99.9	-13%	-30%
	<b>947.7</b>	943.6	+0%	-9%

## Business Review continued

In Fixed Income we have maintained our leading position in government bonds and have re-established our presence and gained market share in corporate bonds and credit derivatives following the actions taken in 2008, including the highly successful launch of tpCREDITDEAL, our electronic platform. The region's Energy business has benefited from the expansion of coverage of a wide range of oil products through the acquisitions in 2008 of Primex and Aspen, and from the investments made in establishing a presence in new products including emissions, bio-fuels and coal.

### North America

In North America, revenue fell by 23%. Year end broker headcount at 468 is 14% lower than at the end of 2008 due to the rationalisation and closure of marginal desks during the year and the broker departures in the last quarter. Average revenue per broker has also fallen compared with 2008 due to the generally lower levels of activity in most products, with the reduction in activity most marked in emerging markets products, volatility products and cash equities.

Fixed Income continues to be the largest product group in the region and revenue in this area slowed significantly in the second half following a buoyant start to the year, with the market in credit derivatives particularly hit. In most other product areas the performance relative to 2008 was stronger in the second half than in the first half.

### Asia

Our business in Asia is predominantly focused on Treasury Products and Interest Rate Derivatives, which account for 90% of the region's revenue. We have maintained our market share in our major products across the region but market activity was low throughout the year and revenue fell by 30%, with average revenue per broker 25% lower and average broker headcount also down. Revenue run rates began to stabilise during the second half and revenue in the last two months of the year was higher than in 2008.

Although the three largest centres in the region, Singapore, Hong Kong and Tokyo, continue to account for over 80% of the region's revenue, we have well established businesses in several other Asia Pacific financial centres, including our joint venture in Shanghai. The Energy business in the region has increased in scale with the addition of Aspen's Singapore based team, and we have established a securities business in Tokyo to provide brokerage services, initially in equity derivatives, which was granted its licence and commenced operations in February 2010. Year end broker headcount in Asia at 356 is 2% higher than at the end of 2008. We are well positioned to benefit from the region's return to growth.

### Operating profit

in Europe has increased by 13%, with the operating margin increasing to 22.7%. The increased operating margin in Europe primarily reflects the increased scale of the business and the actions taken to reduce both front office and support costs. Broker employment costs as a percentage of revenue have reduced compared with 2008, reflecting the benefit from the actions taken at the end of that year, and the elimination of the inefficiencies experienced during 2008, resulting from the large number of brokers who joined the business building up to their full run rate of revenues.

Operating profit in North America has reduced by 37% and the operating margin has fallen to 14.0% mainly due to the reduction in revenue. Support costs have been reduced, but represent a higher percentage of revenue in 2009 than in 2008. Broker employment costs as a percentage of revenue also increased during the year due to inefficiencies in certain desks as a result of revenue declines, together with increased costs of employment in the light of competitor action.

The business in Asia Pacific has a higher level of operational gearing than the other two regions due to the relatively high level of fixed support costs incurred in maintaining a presence across a number of centres. Operating profit in Asia has been driven lower by the reduction in revenue with the operating margin falling to 3.7%. Broker employment costs as a percentage of revenue have increased due to the combination of revenue declines and increasing competition.

Operating profit <sup>1</sup> by region	2009 £m	2008 £m	Change	
			Reported	Constant Exchange Rates
Europe	123.2	108.1	+14%	+13%
North America	44.4	57.8	-23%	-37%
Asia Pacific	3.2	9.2	-65%	-72%
Reported	170.8	175.1	-2%	-11%

Operating margin <sup>1</sup> by region	2009	2008
Europe	22.7%	21.4%
North America	14.0%	17.0%
Asia Pacific	3.7%	9.2%
	18.0%	18.6%

Note 1. Operating profit and operating margin for 2008 are stated before exceptional items.

## Financial review

The results for 2009 compared with those for 2008 are shown in the table below:

	2009 £m	2008 £m
Revenue	947.7	943.6
Operating profit <sup>1</sup>	170.8	175.1
Cash finance expense	(13.8)	(19.7)
Adjusted Profit before tax <sup>2</sup>	157.0	155.4
Tax	(53.0)	(56.0)
Associates	1.8	1.3
Minority interests	(0.6)	(0.5)
Adjusted Earnings <sup>3</sup>	105.2	100.2
Weighted average number of shares	213.9m	212.8m
Adjusted Earnings per share	49.2p	47.1p

Note 1. Operating profit for 2008 is stated before exceptional items

<b>Note 2. Adjusted PBT reconciles to reported PBT as follows:</b>	2009 £m	2008 £m
Adjusted Profit before tax	157.0	155.4
Exceptional items	–	(19.5)
Non-cash finance (expense)/income	(0.5)	1.1
Reported Profit before tax	156.5	137.0

<b>Note 3. Adjusted Earnings reconciles to reported Earnings as follows:</b>	2009 £m	2008 £m
Adjusted Earnings	105.2	100.2
Exceptional items	–	(19.5)
Tax relief on exceptional items	–	5.8
Non-cash finance (expense)/income	(0.5)	1.1
Deferred tax on non-cash finance (expense)/income	0.2	(0.4)
Prior year tax items	5.9	7.3
Reported Earnings	110.8	94.5

### Finance income/(expense)

The cash finance expense primarily comprises the interest payable on the fixed rate bonds and the floating rate bank debt, partly offset by the interest income on cash deposits. The reduction in cash finance expense in 2009 compared to 2008 reflects the lower average amount of bank debt outstanding and the net benefit of lower interest rates, with the reduction in interest payable on the bank debt greater than the reduction in yield on the cash balances.

Non-cash finance income/(expense) items are excluded from adjusted profit before tax and adjusted earnings. These items comprise the mark-to-market movements on derivative financial instruments held at fair value through profit and loss, the amortisation of discount on deferred consideration and the expected return and interest on pension scheme assets and liabilities. In 2008 the pension related items netted to a credit of £1.6m, in 2009 these items netted to a charge of £0.5m.

### Tax

The effective rate of tax on adjusted profit before tax is 33.8% (2008: 36.0%). The reduction in the effective rate compared with 2008 results primarily from the increase in the proportion of taxable profits generated in the UK relative to the US, together with the full year benefit of last year's reduction in the UK statutory rate.

Tax charges and credits arising on non-cash finance income/(expense) items and prior year tax items are excluded from the calculation of the effective tax rate on adjusted profit before tax. Prior year tax items primarily reflect the release of tax provisions made in previous years as tax matters are settled, and do not relate to current trading.

## Business Review continued

### Exceptional items

The £19.5m exceptional items charge in 2008 reflected the cost of the actions taken to reduce operating costs.

### Adjusted Basic EPS

Adjusted Basic EPS is calculated using adjusted earnings shown in the table on page 11 and the undiluted weighted average number of shares in issue of 213.9m (2008: 212.8m).

### Exchange and hedging

The income statements of the Group's non-UK operations are translated into sterling at average exchange rates. The most significant exchange rates for the Group are the US dollar, the Euro, the Singapore dollar and the Japanese Yen. The Group's current policy is not to hedge income statement translation exposure.

The balance sheets of the Group's non-UK operations are translated into sterling using year end exchange rates. The major balance sheet translation exposure is to the US dollar. Until October 2008, the Group had designated a cross currency interest rate swap as a net investment hedge of US\$117m of the US dollar denominated net assets. At that time the Group decided to discontinue the hedging of this balance sheet translation exposure. The swap was therefore de-designated as a net investment hedge and a forward FX contract was executed to close out the FX position inherent in the swap. Both the cross currency interest rate swap and the forward FX contract matured in August 2009.

Average and year end exchange rates used in the preparation of the financial statements are shown below:

	Average		Year End	
	2009	2008	2009	2008
US dollar	\$1.55	\$1.89	\$1.61	\$1.44
Euro	€1.12	€1.28	€1.13	€1.03
Singapore dollar	S\$2.26	S\$2.65	S\$2.27	S\$2.08
Japanese Yen	¥145	¥198	¥150	¥130

### Cash flow and financing

Cash flow before dividends and debt repayments and draw-downs is summarised in the table below:

	2009 £m	2008 £m
Operating profit <sup>1</sup>	170.8	175.1
Share based compensation	(0.4)	4.9
Depreciation and amortisation	8.2	7.8
EBITDA	178.6	187.8
Capital expenditure (net of disposals)	(9.4)	(14.9)
Working capital	(31.3)	20.2
Operating cash flow	137.9	193.1
Exceptional items – restructuring cash payments	(6.8)	(1.4)
Interest	(11.7)	(18.8)
Maturity of derivative financial instruments	(10.0)	–
Taxation	(30.4)	(39.1)
Defined benefit pension scheme funding	(8.1)	(3.2)
ESOT transactions	1.5	–
Dividends received from associates/(paid) to minorities	1.2	(0.5)
Acquisitions/investments	(3.5)	(3.9)
Cash flow	70.1	126.2

Note 1. Operating profit for 2008 is stated before exceptional items.

In 2009 the Group has delivered a substantial operating cash flow, representing more than 80% of operating profit. The working capital outflow of £31.3m in 2009 reflects the unwind of the inflow in 2008, which was due to the unusually high levels of bonus accruals at the end of that year as a result of the high level of activity in the second half, and an increase in the broker sign-on prepayment balance. Net capital expenditure of £9.4m mainly relates to investment in electronic platforms and office fit-out work, including a new data centre in New Jersey, and was slightly higher than depreciation and amortisation.

The exceptional items cash payments of £6.8m in 2009 represent the completion of the cash outflows arising from the cost reduction actions taken at the end of 2008.

Interest payments in 2009 were lower than in 2008, in line with the lower profit and loss charge.

The maturity of derivative financial instruments, primarily the cross currency interest rate swap and the forward FX contract executed to close out the FX position inherent in the swap, resulted in a net cash outflow of £10.0m.

Tax payments in 2009 were lower than in 2008 mainly due to the increase in the proportion of the 2009 tax charge arising in the UK, where half of the liability is paid in the following year.

The Group makes regular contributions to its defined benefit pension schemes to match the benefits paid and scheme expenses, and in January 2009 paid an additional £4.5m of contributions under agreements with the trustees of the schemes aimed at eliminating the actuarial deficits by 31 December 2010. Additional contributions of £4.5m have also been made in January 2010.

Expenditure on acquisitions and investments in 2009 mainly comprises deferred consideration payments relating to Chapdelaine and Primex.

At 31 December 2009 the Group held cash, cash equivalents and other financial assets of £396.2m which exceeded the debt outstanding by £9.0m.

On 6 July 2009 holders of £141.1m of the Group's Eurobond due August 2014 exchanged their holdings for the same amount of new notes due July 2016. The Group's borrowings at 31 December 2009 comprised these new notes, the remaining £8.8m of the Eurobond due August 2014, £240m drawn under the amortising bank term loan facility, and a small amount of finance leases. The term loan is subject to repayments of £30m in each of January 2010 and January 2011, with £180m maturing in January 2012.

The movement in cash and debt is summarised below:

	Cash £m	Debt £m	Net £m
At 31 December 2008	405.2	(422.6)	(17.4)
Cash flow	70.1	–	70.1
Dividends	(27.8)	–	(27.8)
Debt repayments/draw-downs	(33.6)	33.6	–
Debt issue costs	(2.5)	2.5	–
Effect of movement in exchange rates	(15.2)	0.3	(14.9)
Movements in fair value/amortisation of costs	–	(1.0)	(1.0)
<b>At 31 December 2009</b>	<b>396.2</b>	<b>(387.2)</b>	<b>9.0</b>



## Business Review continued

### Pensions

The Group has two defined benefit pension schemes in the UK which were acquired with Tullett and Prebon, both of which are closed to new members and future accrual. The combined deficit of these schemes under IAS19 has reduced to £1.3m at 31 December 2009 (2008: £8.5m). During 2009 the schemes' assets have increased from £106.9m to £137.7m reflecting strong investment returns and the additional contributions, and the schemes' liabilities have increased from £115.4m to £139.0m mainly reflecting a reduction in the discount rate applied to the schemes' liabilities.

### Return on capital employed

The return on capital employed in 2009 was 47% (2008: 50%) which has been calculated as operating profit divided by average shareholders' funds, less net funds or plus net debt as appropriate, and adding back cumulative amortised goodwill and post-tax reorganisation costs and exceptional items.

### Regulatory Capital

The Group's lead regulator is the Financial Services Authority ('FSA'). The Group applied for and received a waiver from the FSA in relation to the Consolidated Supervision requirements of the Capital Requirements Directive effective from 1 January 2007 to 31 December 2011.

Under the terms of the waiver, the Group is subject to the 'financial holding company test' whereby the aggregate financial resources of the Group are calculated by reference to the capital and reserves of the parent company, Tullett Prebon plc, and the Group's aggregated financial resources requirement is calculated as the sum of the requirements of all the Group's subsidiaries under Pillar 1 of the FSA framework.

The Group's regulatory capital headroom is consistently in excess of £300m.

The Board is responsible for approving the Group's Internal Capital Adequacy Assessment Process ('ICAAP') required by the FSA. The ICAAP formally documents that the Group's capital resources are sufficient to cover the Pillar 1 requirements and assesses whether these resources are sufficient to cover those additional risks identified during the Pillar 2 review. The ICAAP documentation is regularly updated and formally approved by the Board at least annually.

Information disclosure under Pillar 3 is available on the Group's website [www.tullettprebon.com](http://www.tullettprebon.com).

Many of the Group's broking entities are also regulated on a 'solo' basis, and are obliged to meet the regulatory capital requirements imposed by the local regulator of the jurisdiction in which they operate, whether this be the FSA, FINRA or other regulator. The Group maintains a significant excess of financial resources in such entities.

### Outlook

Although the world's financial markets have remained unsettled, overall activity in the markets slowed in the second half of 2009 in comparison to the particularly volatile markets experienced in the autumn of 2008 and into the first half of last year and, as expected, activity currently remains at this more normal level.

The underlying revenue run rate in the first two months of the year is 5% lower than a year ago at constant exchange rates. We expect this run rate against prior year to improve, particularly in the second half. In addition, the net effect of the broker defections in North America has been to reduce revenue by 6%. The benefit from the actions that we have taken to mitigate the impact of the broker defections will increase during the year as the rebuilding programme continues and the new brokers hired build up to their full run rate of revenue.

The eventual outcome of the regulatory debate about how to strengthen the financial system remains uncertain, but we are confident that our role as an intermediary in the OTC markets will continue to be vital and that our business will continue to add significant value to our customers. We have a well diversified and robust business, and we are well positioned to respond to and to benefit from, changes in the way in which the OTC markets and our customers operate and are regulated.



## Risk management

### Risk management governance structure

#### Introduction

Risk management is embedded throughout the business, with the overall risk appetite and risk management strategy being approved by the Board, and then propagated down throughout the business as appropriate. The principal elements of the Group's risk management and governance structure are as set out below.

The systems of internal control operated by the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

#### The Board

The Board is responsible for setting the Group's risk appetite, ensuring that it has an appropriate and effective risk management framework, and for monitoring the ongoing process for identifying, evaluating, managing and reporting the significant risks faced by the Group.

#### ICAAP

The Board is responsible for approving the Group's Internal Capital Adequacy Assessment Process ('ICAAP') required by the FSA. The ICAAP formally documents that the Group's capital resources are sufficient to cover the Pillar 1 requirements and assesses whether these resources are sufficient to cover those additional risks identified during the Pillar 2 review. The ICAAP documentation is regularly updated and formally approved by the Board at least annually.

#### Risk assessment framework

The Group identifies, assesses and monitors risk through the use of a Risk Assessment Framework, which is approved by the Board.

The Risk Assessment Framework identifies risks within eight risk categories: Market Risk, Credit Risk, Operational Risk, Strategic and Business Risk, Governance Risk, Regulatory, Legal and Human Resources Risk, Reputational Risk and Financial Risk. The risks within each area are analysed, mitigating factors assessed, and relevant controls identified. The risks are then graded for their expected severity and probability, and a risk rating assigned to them to enable the Board to prioritise its attention to them. Action is taken by the Board to manage the key risks as and when it considers appropriate, so as to safeguard the Group and the interests of its shareholders.

The Risk Assessment Framework is regularly updated and is reviewed at least twice each year by the Board, with particular focus on high priority risks. As well as being used to assist with the ICAAP, the Risk Assessment Framework is also used to provide guidance for the development of the internal audit plan, as well as determining the frequency and content of the ongoing risk reporting provided by the Group Risk Control function.

#### Executive management

Risk management and the operation of the internal control systems within the Group are primarily the responsibility of the executive directors and the senior management. These individuals are permitted commercial independence and flexibility within parameters agreed by the Board to ensure that risks are clearly owned and managed on a day-to-day basis and that systems of control operate effectively.

Under the overall supervision of the Board and the Chief Executive, the management team continues to implement their business development plans and monitor operational projects. The executive directors monitor activities on a daily basis and ensure that appropriate controls are exercised over the Group's operations. The Board considers the monthly management accounts, budgets and plans and discusses any issues arising.

#### Group risk control

The Group Risk Control function is responsible for developing policies and monitoring mechanisms which ensure that the Group operates in accordance with the Board's risk appetite, and also for providing daily and monthly reports to senior management which are reviewed by the Group Treasury and Risk Committee. The Group Treasurer and Head of Risk Control reports to the Finance Director, and has direct access to and dialogue with, the Chairman of the Audit Committee.

The members of the Group Treasury and Risk Committee are the Chief Executive, who acts as chairman, the Finance Director and the Group Treasurer and Head of Group Risk Control. The minutes of the Group Treasury and Risk Committee are circulated to the Board.

Group Risk Control is also responsible for maintaining the Group Risk Management Principles and Policies document. This document specifies the practices and policies to be adopted throughout the business (including relevant limits and controls) in order to manage the risks identified in the Risk Assessment Framework.

#### Risk reporting

The embedded risk management processes ensure that the Group Treasury and Risk Committee, executive directors and senior management receive appropriate information and exception reports to comply with the Group's risk management principles and policies, and identify any new risks or exposures that may arise. These include reports detailing the current status of existing controls, audits, loss events, and any required action plans to remedy any identified shortcomings in the control environment. Risk reporting has been significantly updated during 2009 to enhance the clarity and depth of information reported to senior management.

#### Compliance

The Group's lead regulator is the FSA. The Group's broking subsidiaries are categorised as either Limited Activity Firms (for subsidiaries that undertake any Matched Principal or exchange traded 'give-up' business) or Limited Licence Firms (for subsidiaries that undertake only Name Give-Up business).

## Business Review continued

The Group's Compliance Department monitor compliance with the various regulatory requirements to which the Group is subject, including not only those imposed by the UK regulatory regime but also those imposed by the regulatory framework of the other jurisdictions in which the Group operates. The compliance officers are in regular contact with the executive directors and compliance reports are made to the Board on a regular basis.

### Internal audit

PricewaterhouseCoopers were appointed to act as the Group's internal auditor in December 2007, following an extensive review of internal audit arrangements by the Audit Committee.

The objectives of Internal Audit are to assess the effectiveness of the Group's risk management, internal controls and governance process; whether operational and financial controls are appropriate and consistently applied; the effectiveness of internal controls for the safeguarding of assets; the reliability and integrity of management information; and the adequacy of processes to ensure compliance with applicable laws and regulations.

Internal Audit work during 2009 covered the full 'audit universe' within the Group at different levels of intensity based upon the results of a risk assessment exercise carried out and agreed with the Audit Committee in January 2009. The work included site visits and meetings with senior management, both at the Group level and in each of the geographic regions in which Tullett Prebon operates. The findings of these audits were reported to the Audit Committee and, where appropriate, action taken by management in response to them was tracked and reported to the Audit Committee. The Audit Committee approved the internal audit plan for 2010 at its December 2009 meeting.

### Business initiative management process

The Business Initiative Management ('BIM') process is a core risk mitigation process used throughout the Group to identify, assess and manage the potential risks arising in relation to any new business initiative.

A BIM proposal must be submitted for all significant business changes, whether this be the introduction of a new product or business line, or a material modification to an existing business line.

### Group risk profile

The Group's Risk Assessment Framework categorises the risks facing the Group into eight categories; Market Risk, Credit Risk, Operational Risk, Strategic and Business Risk, Governance Risk, Regulatory, Legal and HR Risk, Reputational Risk and Financial Risk.

All risk management sections are unaudited except those relating to market risk, credit risk and financial risk, which form part of the Group's IFRS 7 'Financial Instruments: Disclosures'.

#### 1. Market risk

Market risk is the vulnerability of the Group to movements in the value of financial instruments. The Group does not take trading risk and does not hold proprietary financial positions. Consequently the Group is exposed to market risk only in relation to incidental positions in financial instruments arising as a result of the Group's failure to match investors' orders precisely. Such positions are valued and measured from trade date on a daily mark-to-market basis.

Policies and procedures exist to reduce the likelihood of such trade mismatches and, in the event that they arise, the Group's policy is to close out such balances immediately. All market risks arising across the Group are identified and monitored on a daily basis.

#### 2. Credit risk

The credit risk faced by the Group consists of counterparty credit risk (as opposed to issuer risk), and principally arises from the following:

- Pre-settlement risk arising from Matched Principal broking;
- Settlement risk arising from Matched Principal broking;
- Cash deposits held at banks and money market instruments; and
- Name Give-Up brokerage receivables.

In addition to counterparty risk, the Group is also exposed to concentration risk in the level of exposure to counterparties, whether this be exposures arising from Name Give-Up brokerage receivables, unsettled Matched Principal transactions or cash on deposit.

**Pre-settlement risk** is the principal class of credit risk affecting the Group. It arises mainly in the Matched Principal broking business in which Group subsidiaries interpose themselves as principal to two (or more) contracting parties to a Matched Principal transaction and as a result the Group is at risk of loss should one of the parties to a transaction default on its obligations.

The risk is that the counterparty may default prior to settlement date, in which case the Group would have to replace the defaulted contract in the market. This is a contingent risk in that the Group will only suffer loss if the market price of the securities has moved adversely to the trade price over the period between the trade and final settlement date.

Counterparty exposures are kept under constant review and the Group will take steps to reduce counterparty risk where market conditions require. We pay particular attention to more illiquid markets where the price movement (and hence our mark-to-market credit exposure) is more volatile, such as trading in GDR, ADR and emerging markets instruments.

**Settlement risk** is the risk that on settlement date a counterparty defaults on its contractual obligation to make payment for a securities transaction after the corresponding value has been paid away by the Group. Unlike pre-settlement risk the exposure here is to the full principal value of the transaction.

In practice the Group is not exposed to this risk as settlement is almost invariably effected on a 'Delivery versus Payment' ('DvP') basis. 'Free of payment deliveries' (where an immediate exposure arises due to the Group's settling its side of the transaction whilst receipt of the countervalue is at some future date) occur very infrequently and may only be effected under the application of stringent controls.

**Cash deposits** – The principal exposure to counterparty risk, in terms of cash deposits, arises in the UK where the majority of our cash is managed. Apart from cash held at settlement and clearing counterparties for operational reasons (such as Euroclear), the depositing of our cash in the UK is restricted to four principal clearing banks. In the US, cash is split between two principal clearing banks. Restricted and operating cash is also maintained at clearing and settlement organisations (such as the DTCC and Bank of New York). Apart from a small balance held in local banks, the majority of the cash in Asia is held with one major clearing bank.

As with trading counterparties, cash deposit counterparty exposures and limits are kept under constant review and steps taken to reduce counterparty risk where market conditions require.

**Name Give-Up brokerage receivables** – The majority of transactions brokered by the Group are done on a Name Give-Up basis, where the Group acts as agent in arranging the trade. Whilst the Group does not suffer any exposure in relation to the underlying instrument brokered (given that the Group is not a principal to the trade), it is exposed to the risk that the client fails to pay the brokerage it is charged. Debtors arising from Name Give-Up brokerage are closely monitored by senior management.

**Concentration risk** – The possibility of concentration risk exists in the level of exposure to counterparties. The Group controls its credit exposure to counterparties and groups of counterparties through the application of a system of counterparty credit limits (based on the mark-to-market exposure for Matched Principal trades, outstanding brokerage receivables for Name Give-Up trades, and amount on deposit for cash deposit exposure). Counterparty limits are set by the European and North American Credit Committees according to a methodology agreed by the Group Treasury and Risk Committee.

### 3. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events. Operational risk covers a wide and diverse range of risk types, and the overall objective of the Group's approach to operational risk management is not to attempt to avoid all potential risks, but proactively to identify and assess risks and risk situations in order to manage them in an efficient and informed manner. Examples of operational risk include:

- IT systems failures, breakdown in security or loss of data integrity;
- Failure or disruption of a critical business process, through internal or external error or event;
- Failure or withdrawal of settlement and clearing systems, errors in instructions;
- Events preventing access to premises, telecommunications failures or loss of power supply which interrupt business activities; and
- Broker errors.

Operational risks are managed through a combination of effective, relevant and proportional control processes and experienced managers who are alert to the risks involved in the business they process. As with credit and market risk the policy of devolved responsibility within the Group places the initial emphasis for the management of operational risks on the senior management of each entity and business unit. Finance, Operations, Compliance, Risk Control (reporting), Internal Audit, and the administrative functions support management through a segregated review process of the controls.

### 4. Strategic and business risk

The Group operates in an environment characterised by intense competition and rapid technological change. Failure to adapt to changing market dynamics and customer requirements and to the way OTC markets and their participants are regulated, constitutes a significant long term risk.

The Group's strategies for managing and mitigating these risks include geographic and product diversification, development of new products, and where appropriate acquisitions. Regular management review of results and key performance indicators, competitor benchmarking and active management of client relationships all act as controls on the Group's strategic and business risk.

During 2009 action has been taken to strengthen management teams particularly in North America, to retain existing and hire new brokers, to protect the enforceability of employment contracts, and to invest in the development and launch of new electronic platforms and supporting infrastructure.

### 5. Governance risk

Governance risk is the risk of loss or damage to the business due to a failure of management structures or processes. This might take the form of misstatement or accounting errors, fraud, a failure to ensure adequate succession to key management positions, or the inappropriate use of authority and influence.

The risk of accounting error or fraud is mitigated by the strong control environment which exists within the Group, in particular the involvement of the Audit Committee, the internal audit team and the Group Treasury and Risk Committee. Succession planning within the Group is overseen by the Board and the Remuneration Committee.

### 6. Regulatory, legal and human resource risk

This risk concerns the potential loss of value due to regulatory action such as compliance breaches or market abuse; the possible costs and penalties associated with litigation; and the possibility of a failure to retain and motivate key members of staff. The Group also faces the risk that changes in regulations or laws could have a serious adverse impact on the business, including when such changes are directed at other parts of the financial services sector but may also encompass the Group.

## Business Review continued

The Group's lead regulator is the FSA and individual operations are regulated by their local regulatory bodies. Adherence to regulations is monitored by the Group's compliance officers who report regularly to the Board. The Group's legal department oversees contracts entered into by Group companies, and manages litigation which arises from time to time. Salaries, bonuses and other benefits are designed to be competitive and the Group's HR function monitors staff turnover on an ongoing basis.

### 7. Reputational risk

Reputational risk is the risk that the Group's ability to do business might be damaged as a result of its reputation being tarnished. Clients rely on the Group's integrity and probity. The Group has policies and procedures in place to manage this risk to the extent possible, which include conduct of business rules, procedures for employee hiring and the taking on of new business.

### 8. Financial risk

The nature and scope of the Group's operations mean that it is exposed to a number of financial risks, principally liquidity risk (including the risk of being required to fund failed settlements), interest rate risk, currency risk, taxation risks, and pension obligation risk.

**Liquidity risk** – The Group seeks to ensure that it has access, even in periods of corporate or market volatility, to an appropriate level of cash, other forms of marketable securities or funding to enable it to finance its ongoing operations, proposed acquisitions and any other reasonable unanticipated events on cost effective terms. Cash and equivalent balances are held with the primary objective of capital security and availability, with a secondary objective of generating returns. Funding requirements and cash and equivalent exposures are monitored by the Group Risk and Treasury Committee.

The Group has completed a major project to mitigate its exposure to volatile margin calls in North America. Whilst not totally eliminating the absolute liquidity risk in this area, the project has significantly reduced the severity and frequency of such exposure.

In the event of a liquidity issue arising, the firm has recourse to existing global cash resources after which it could draw-down a standby £50m committed credit line as additional contingency funding. The firm is rated Investment Grade by both Moody's and Fitch with issuer ratings of 'Baa3 Stable' and 'BBB- Stable' respectively.

Further details of the Group's borrowings and cash are provided in Notes 21 and 32.

**Funding of failed settlements risk** – As a normal part of its operations, the Group has an additional liquidity risk through the risk of being required to fund transactions that fail to settle on the due date. From a risk perspective, the most problematic scenario concerns 'fail to deliver' transactions, namely where we have received a security from the selling counterparty (and have paid cash in settlement of the same) but are unable to effect onward delivery of the security to the buying counterparty.

Such settlement 'fails' give rise to a funding requirement, namely the cost of funding the security which we have 'failed to deliver' until such time as the delivery leg is finally settled and we have received the associated cash.

The Group has addressed this funding risk by arranging overdraft facilities to cover any 'failed to deliver' trades, either with the relevant settlement agent/depository itself or with a clearing bank. Under such arrangements, the facility provider will fund the value of any 'failed to deliver' trades in return for a funding fee charged to the Group. In order to protect the settlement agents/depositories from any adverse mark-to-market movement incurred before delivery of the security is finally effected, certain institutions (such as Euroclear) require that we hold cash deposits with them and/or provide a parent company guarantee.

**Interest rate risk** – The Group is exposed to interest rate risk. It maintains significant cash balances which are held at maturities of less than three months for liquidity and other operational purposes. To mitigate this the Group's syndicated term facility is rolled for two month periods and in two tranches maturing in alternate months. The Eurobond debt is not swapped and remains a fixed sterling rate cost.

The Group's Treasury and Risk Committee periodically considers the Group's exposure to interest rate volatility.

Analysis of the Group's sensitivity to movements in interest rates is set out in Note 26.

**Currency risk** – The Group trades in a number of currencies around the world, but reports its results in sterling. The Group therefore has translation exposure to foreign exchange movements in these currencies, principally the US dollar and the Euro, and transaction exposure within individual operations which undertake transactions in one currency and report in another.

Analysis of the Group's sensitivity to movements in foreign currency exchange rates is set out in Note 26.

**Taxation risk** is the risk of financial loss or misstatement as a result of non-compliance with regulations relating to direct, indirect or employee taxation. The Group employs experienced qualified staff in key jurisdictions to manage this risk and in addition uses professional advisers as appropriate.

**Pension obligation risk** is the risk, in the short and medium term, that the Group is required to fund a deficit in any of the Group schemes.

A subsidiary of the Group has an obligation to fund two defined benefit pension schemes. The associated liquidity risk has been capped by fixing the maximum cash contributions that can be made into the schemes each year. This cap is contained within the current funding agreements that have been entered into between Tullett Prebon Group Limited and the trustees of each of the schemes, in respect of which clearance has been obtained from the Pensions Regulator.

The contributions are designed to ensure that the deficit in the schemes, reviewed on an actuarial basis as of 31 December 2010, will be eliminated. Both schemes will undergo full actuarial valuations during 2010. The latest actuarial valuation update as of April 2009 showed that the combined deficit of the schemes was less than £25m, and this is likely to have reduced significantly as asset values have increased since then.

## Corporate social responsibility

### Introduction

Through its support for the efficient operation of the global capital markets, the Company helped ensure its clients were able to continue to prosper and to achieve their own business objectives, and to meet expectations of their own shareholders and their other stakeholders. In this way Tullett Prebon best found expression for its positive contribution to society more widely.

By successfully providing a critical component of the global capital markets infrastructure Tullett Prebon is best able to maximise returns to shareholders over the medium to long term. As a publicly listed company Tullett Prebon continues to enjoy a positive record in creating value for both institutional and individual investors.

In turn this allows the Company to make a significant contribution to society through social transfer payments in the form of tax payments.

The Company intends that its high standards of governance and business ethics contribute to the wider social good through the example it sets and the high standards it maintains, both in the United Kingdom and in all other geographies where the Company is present, complying with all laws and regulations, trading fairly, and only participating in legitimate trading activities.

### Governance

Responsibility for social, ethical and environmental matters rests with the Board, and is included in its terms of reference. The Chief Executive Officer is the Board member responsible for Corporate and Social Responsibility ('CSR').

In recognition of the increasing importance of the CSR agenda, in 2009 Tullett Prebon established a CSR Governance Committee. Membership of this committee comprises all members of the Company's Executive Committee, reflecting the importance the Company places on this broad area of responsibility.

### Policies and ethical issues

The Board expects the Company to maintain high standards of governance and of ethical behaviour throughout the business, and policies and procedures exist to ensure employees at all levels maintain the standards that are set and which are expected of them.

### Policies on equal opportunities

Tullett Prebon is committed to attract, retain, develop and advance the most qualified persons without regard to their race, ethnicity, religion, or belief, gender, age, sexual orientation or disability. This commitment is underpinned by policies on equal opportunities, harassment and discrimination, to which all employees are required to adhere.

### Ethical issues

The Company's approach to ethical behaviour and corporate governance is specifically written into policy and Tullett Prebon documents, for observance by all members of staff, and provide for:

- Maintaining high standards of compliance and risk management activities – ultimately reporting to the Chief Executive and monitored by the Board and Audit Committee;
- Fully complying with legal and regulatory requirements in each of the jurisdictions in which it operates, including the Financial Services Authority's Conduct of Business Sourcebook and the Bank of England's Non-Investment Products Code;
- Disallowing corrupt practices such as inappropriate payments to any third party – directly or indirectly;
- Fully complying with tax laws in each of the jurisdictions in which it operates relating to its affairs and the deduction of taxes from staff remuneration;
- Trading fairly, knowing its clients and properly understanding its trades with its clients. The Company has a policy of not participating in trading activities which it suspects may not be for legitimate trading purposes, or whose sole purpose appears to be tax reduction by the counterparty;
- Guiding employees involved in procurement activities, including a requirement to adhere to the highest ethical and social standards; and
- Maintaining appropriate guidelines on gifts, hospitality, entertainment and conflicts of interest.

### Employees

Attracting and retaining the best brokers, support staff and management remain crucial to the Company's ongoing success, and the Company's ability to maximise returns to shareholders is dependent on employing the best staff in all the geographies in which it operates. The Company is committed to training and motivating its staff and measures performance to achieve this objective. During 2009 the Company reviewed the training available to management, with a view to improving succession planning for the future. Programmes to educate trainees continued in the reporting period. The productivity and welfare of employees in a business dependent on people such as Tullett Prebon is a matter that attracts considerable senior management attention.

Employee engagement is recognised as an important responsibility and the Company maintains effective internal communications channels. Employees are informed in a timely way about major developments in the business, such as the launch of new products, key hires, and financial announcements. This information is made available to all employees via regular use of internal emails, the intranet, newsletters and town hall meetings, as appropriate.

The welfare of staff is taken seriously and the Company has policies on health and safety. Given the demanding conditions of broking activities, immediate responsibility for staff welfare and the management of stress rests with line management and the Human Resources department, and this is supplemented by an Employee Assistance programme, which provides counselling, and advice to staff and their families.



## Business Review continued

Records on employment and 'pastoral care' matters are maintained as required in each legal and regulatory jurisdiction;

- In 2009 the average revenue generated by each broker was £565,000 (2008: £548,000);
- The Company employed 2,445 staff worldwide in 2009 (45% in Europe, 33% in North America and 22% in Asia Pacific) and total remuneration for all staff in 2009 was £566m (2008: £590m);
- Claims for compensation for work-related accidents and illnesses were minimal in 2009 with only one claim for Worker's Compensation in the US which resulted in an absence of one day. There were no such claims in the UK or Asia Pacific. (In 2008 there was similarly only one claim in the US with none in the UK);
- In 2009 there was a further reduction in absence due to short-term employee sickness in the UK, both total days taken and average time off work, the Company losing 2,080 sick days (2008: 2,331 sick days, and 2007: 2,450 sick days). The average time off work due to short-term sickness in the UK was 2.13 days per employee (2008: 2.34 days, and in 2007: 2.83 days). In Asia Pacific, 1,200 days were lost due to short-term sickness, an average of 2.56 days per employee. The US do not report short-term sickness in the same way as in Asia Pacific or the UK, but in terms of longer term 'disability' sickness the average rate was 1.5 days per employee; and
- 2009 saw 11 minor reported staff accidents in the UK, compared to three in 2008. This increase is believed to be due to improved reporting of these events following the hiring of a dedicated Health & Safety and Environmental Officer in June 2008. No visitors suffered injury on Company premises during 2009.

The Company is highly dependent on its employees, and retention of key personnel remains one of management's core tasks. 2009 has presented many challenges in this regard, but management believe that retention policies in general have proved successful in retaining staff at all levels. However, the Company has sought to find a sensible metric to illustrate staff retention beyond the simple end-of-year headcount numbers, which whilst useful in themselves they do not help understand retention in a qualitative way. The challenge has been to find a practical solution which can be delivered within existing resource constraints.

Accordingly, the Company monitors length of service of all staff. Such a metric will provide a more qualitative measure as it implicitly reflects staff attitudes to employment with the Company. A dissatisfied workforce would be expected to be highly fluid with few long serving members of staff. The Company records percentages of staff, by region, that have five and ten years or more service. In the US 55.5% of employees have five plus years service, and 34.7% have ten plus years service. In the UK the percentages are 54.9% and 31.6%, and in Asia Pacific the percentages are 31.5% and 18.7% respectively.

In addition to the use of improved monitoring of staff service, the Company has introduced an enhanced pastoral care programme which will continue to be rolled out across the Company as resources allow. This addresses the need for an improved work/life balance

which the Company believes is important to help alleviate the high-stress work environment, and also responds to staff requests for support with physical exercise and certain outdoor pursuits.

The Company responded to requests from staff for support for both team sports and physical exercise activity, reflecting a growing desire amongst staff across all the Company's offices for a healthier lifestyle. This is something the Company has been keen to respond to.

In recognition of the increasing number of staff participating voluntarily in various sports teams and competitions, in all countries in which the Company operates, arrangements have been made to provide equipment for staff teams, and it is hoped this will further encourage staff participation in healthy physical exercise and sporting activities. Again in response to staff demand, the Company provided the necessary resources for staff to participate in the annual JP Morgan Chase run in London, New York and Singapore.

In the UK the Company offered free fitness training to all staff, provided by the fitness company BritMilFit. The provision of similar training is being investigated in the Company's other key business locations where there is demand for it. Also in the UK the Company introduced the salary sacrifice scheme for the purchase of bicycles which has enabled more staff to cycle to work.

The salary sacrifice scheme was also adopted in the UK to assist employees to obtain childcare vouchers.

### Social and community issues

#### Service in the volunteer reserve forces

Reflecting the continued burden on members of the Volunteer Reserve Forces in both the UK and the US, the two countries that account for around 80% of Tullett Prebon's revenues, the Company has agreed to provide additional support to its employees who are members of the reserve forces in these two countries. In the UK this extends to providing one additional week of paid leave to help a volunteer complete his or her annual training commitment. In the US this provides for the Company to make up a volunteer's mobilised pay to their civilian salary to ensure they are not worse off as a result of their public service commitment.

#### Tax and other social payments

The Company continues to strive to maintain a Low Risk rating from HMRC. The Company has earned this Low Risk rating in each of the last four years since HMRC started to publish the names of those companies achieving this important status.

The Board continue to believe that as Tullett Prebon is registered, regulated and publicly listed in the UK, the Company has a social duty to pay the right tax at the right time.

Tullett Prebon made payments to tax authorities (principally in the UK and US, the main jurisdictions in which it operates) for 2009 of just under £280m, covering corporation tax, employer's social security payments, and income taxes and social security paid on behalf of employees.

In addition the Company makes further income tax and employee social security payments to the tax authorities in all tax jurisdictions in which it operates.

### Donations

The Company has maintained the policy of making no donations to political parties. Similarly, charitable donations are not normally allowed. These two policies reflect the Board's view that shareholders' funds should be retained for use within the business and that it is for shareholders to determine what non-business use should be made of their resources.

### Public policy engagement

The credit crisis has understandably focused public and political attention on the financial services industry. Much of that attention has been ill informed, distracted by political point scoring, and highly negative. This has led to a potentially damaging geo-political environment within which the public policy response to the crisis will be made. This could harm the capital markets and, in turn, the Company's ability to continue to expand its business and to further grow shareholder value. With that in mind the Company sought to engage in the public policy debate. Despite being a relatively small UK listed entity, Tullett Prebon has been able to punch above its weight, in part due to its position at the very heart of the capital markets which has given it an informed view available to very few others. Three strands of public policy activity were undertaken in the reporting period:

- Additional financial support was made to the Company's trade body, the Wholesale Markets Brokers Association ('WMBA') so that they could undertake a public relations and lobbying programme in the UK and in Brussels. The Company was also a founding member of a new WMBA in North America ('WMBAA') which has been established primarily to undertake a lobbying and educational function for the inter-dealer broker industry in the United States. The Company has also maintained its membership of other key trade bodies (SIFMA and ISDA). To ensure proper coordination and management of its memberships of these important trade bodies, responsibility for them has been focused in a single member of the Company's Executive Committee.
- The Company's Chief Executive Officer sought to engage in public debate on issues which are relevant to the financial services sector, where appropriate and where possible. Significant traction was achieved in this activity in 2009.
- A new post of Global Head of Research was established to increase the Company's visibility in, and penetration of, the public policy arena in general, and in the debate surrounding the credit crisis in particular. It is hoped that this appointment will further enhance the Company's visibility and in so doing will assist the Company in its public policy engagement programme.

### Environment

Tullett Prebon, as an office based business, is not engaged in activities that are generally regarded as having a high environmental impact. However, the Board has agreed that it will seek to adopt policies to safeguard the environment to meet statutory requirements or where such policies are commercially sensible.

The emission of greenhouse gases, as a result of office based business activities and from business travel, is the main environmental impact from the Company's business. A stringent cost control regime minimises business travel and increasing use continues to be made of video and telephone conferencing.

Anticipating the introduction of Carbon Reduction Commitment ('CRC') obligations on UK companies in April 2010 the Company has taken advice from professional specialist consultants and is prepared to comply with CRC requirements when the scheme comes into force. In addition, the Company undertook a Carbon Footprint Audit during 2009 in its key geographies to produce benchmark data, and this will help management prepare the Company to meet additional environmental obligations that are expected to be introduced in the future.

An environmental policy is being developed with the assistance of specialist external consultants and will be adopted across the Company's UK operation in 2010. Similar policies will be developed for other countries reflecting the particular requirements and the custom and practice in each jurisdiction as appropriate.

### Contractual or other arrangements essential to the business of the Group

The success of the Company relies on certain contractual or other arrangements within individual entities and across the Group relating to revenue generation, operational performance or financing.

The successful generation of revenue relies on the Group's ability to hire and retain highly qualified employees. Employment costs made up 79% of the Group's administration expenses in 2009. A number of legal arrangements, including in certain circumstances rolling contracts and non-compete arrangements, are used to enhance the Group's ability to attract and retain key personnel.

The Group facilitates a finite number of customer relationships. These relationships are serviced over a wide range of products and across a geographically diverse business.

The efficiency of the Group's operations depends on certain key supplier relationships. The Group's clearing is provided by, or executed through, the FICC, NSCC, Euroclear, Clearstream, and certain key banking relationships.

The Group is dependent upon certain information, communication and IT system providers and operates from a limited number of properties. The Group seeks to ensure its systems are robust and are capable of operation from tested business continuity sites.

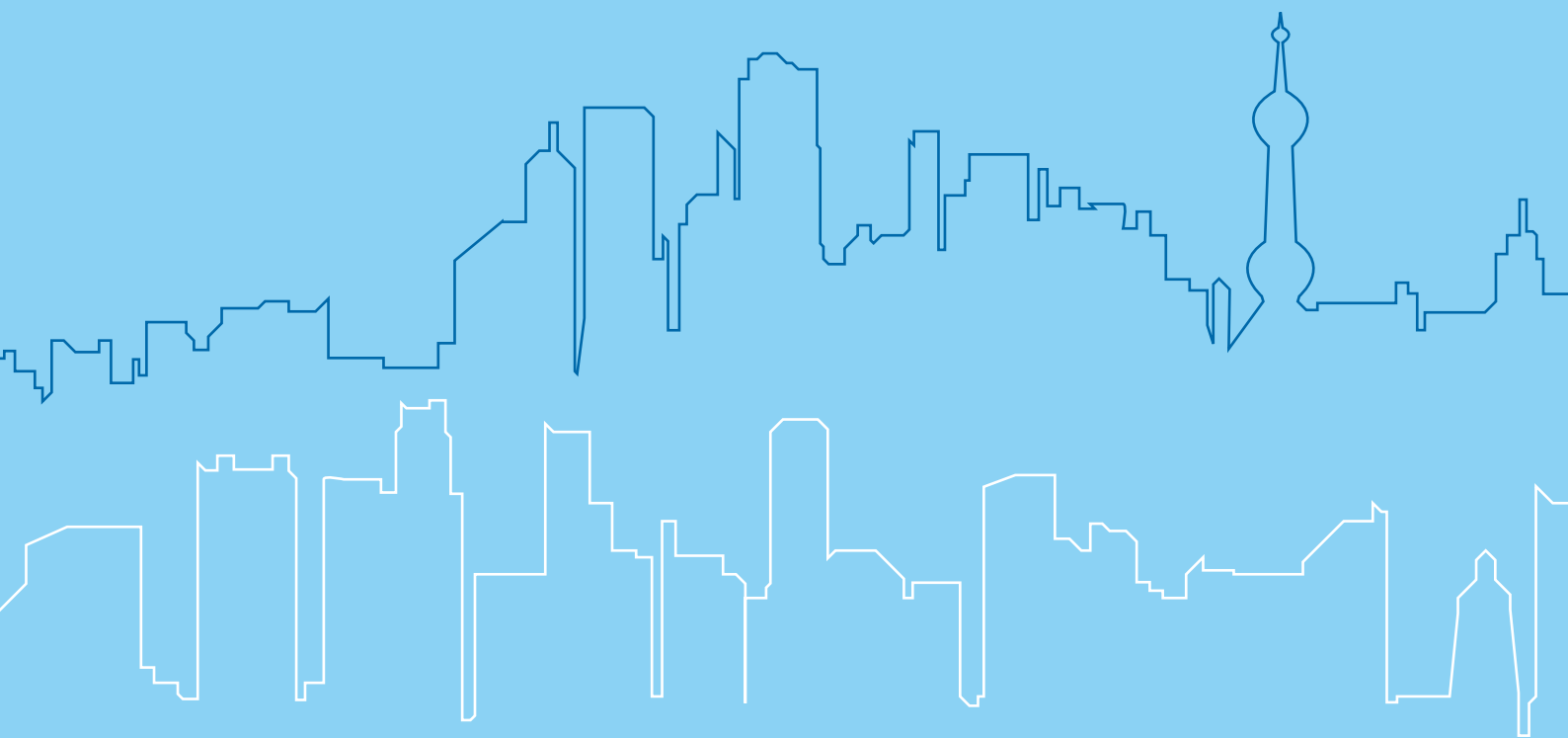
The Group relies on a small number of international banks to provide bank facilities. Approximately 80% of its committed facilities are provided by four major banks, Lloyds Banking Group, The Royal Bank of Scotland, HSBC and Bank of America. Further analysis of the Group's debt structure can be found in Note 21.

**Terry Smith**  
Chief Executive  
8 March 2010

# Governance

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## Board of Directors

### **Keith Hamill (aged 57)** **Chairman**

Keith Hamill became Chairman of Tullett Prebon plc in December 2006. He served as Chairman of Collins Stewart plc and subsequently Collins Stewart Tullett plc from 2000 to 2006. He is also Chairman of Travelodge, Heath Lambert, Alterian plc, Deputy Chairman of Collins Stewart plc, a Non-executive Director of easyJet plc and Pro-Chancellor of Nottingham University. He is a chartered accountant and was previously Finance Director of WH Smith, Forte and United Distillers, Director of Financial Control at Guinness and a partner in Price Waterhouse. He was also a member of the Urgent Issues Task Force of the Accounting Standards Board and Chairman of the CBI Financial Reporting Panel. He is Chairman of the Nominations Committee.

### **Terry Smith (aged 56)** **Chief Executive**

Terry Smith started his career with Barclays Bank and became a stockbroker in 1984 with W Greenwell & Co. He was top rated bank analyst in London from 1984 to 1989, during which period he also worked at BZW and James Capel. In 1990 he became head of UK Company Research at UBS Phillips & Drew, a position he left in 1992 following the publication of his best selling book, 'Accounting for Growth'. He joined Collins Stewart (subsequently Collins Stewart Tullett plc) shortly after and became a Director in 1996. He is an Associate of the Chartered Institute of Bankers, has an MBA from The Management College, Henley and is qualified as a Series 7 Registered Representative and a Series 24 General Securities Principal with the NASD. He has acted as Chief Executive of Tullett Prebon plc since December 2006, and is also Chairman of Collins Stewart plc.

### **Paul Mainwaring (aged 46)** **Finance Director**

Paul Mainwaring qualified as a chartered accountant with Price Waterhouse in 1987, and obtained an MBA from Cranfield School of Management in 1991. From 1993 to 2000, he worked for Caradon plc in a number of financial roles, including three years as Finance Director of MK Electric. In 2000, he was appointed as Group Finance Director of TDG plc. He was appointed as Group Finance Director of Mowlem plc in 2005. He was appointed to the Collins Stewart Tullett plc Board in October 2006, and has been Finance Director of Tullett Prebon plc since December 2006.

### **David Clark (aged 62)** **Senior Independent Non-executive Director**

David Clark worked for Bankers Trust, Commerzbank and Midland Bank before being appointed Treasurer, Europe of HSBC Holdings in 1992. In 1995 he joined Bankgesellschaft Berlin AG becoming Managing Director of Bankgesellschaft Berlin (UK) plc until June 1999. He was Senior Adviser to the Major Financial Groups Division of the FSA until March 2003. He is Non-executive Chairman of Charity Bank and a Non-executive Director of Caf Bank and Westpac Europe Limited. He was appointed as a Non-executive Director of Tullett Liberty in September 2000 and to the Collins Stewart Tullett plc Board in March 2003, and subsequently became a Director of Tullett Prebon plc in December 2006. He is a member of the Audit, Remuneration and Nominations Committees.

### **Michael Fallon MP (aged 57)** **Independent Non-executive Director**

Michael Fallon became a Director of Tullett Prebon plc in December 2006 and is a member of the Remuneration, Audit and Nominations Committees. He had previously been a Director of Collins Stewart Tullett plc since September 2004. He is a Director of Attendo AB, a provider of long-term care in Scandinavia, and the Conservative MP for Sevenoaks. He is also a member of the Treasury Select Committee of the House of Commons, and chairs the Treasury sub-committee, responsible for overseeing HM Revenue and Customs. He was Opposition spokesman on Trade and City matters from 1997-1998. He was previously a Director of Just Learning Ltd, Quality Care Homes PLC and Bannatyne Fitness Ltd.

### **Richard Kilsby (aged 58)** **Independent Non-executive Director**

Richard Kilsby joined the Board in December 2006 and is Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees. He had previously been a Director of Collins Stewart Tullett plc since June 2005. He is Non-executive Chairman of 888 Holdings plc. He has formerly held many positions in finance and the City including: Vice Chairman of the virt-x stock exchange (created by the merger of the Swiss Exchange with Tradepoint), Chief Executive of Tradepoint (an AIM quoted electronic exchange), Non-executive Director of Collins Stewart plc and an Executive Director of the London Stock Exchange responsible for listing, secondary regulation and the introduction of the SETS trading system. He is a chartered accountant and was previously an audit partner at Price Waterhouse.

### **Rupert Robson (aged 49)** **Independent Non-executive Director**

Rupert Robson was appointed to the Board in January 2007. He is Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees. He has held a number of senior roles in City institutions, most recently Global Head, Financial Institutions Group, Corporate Investment Banking and Markets at HSBC between 2003 and 2006 and, prior to that, Head of European Insurance, Investment Banking at Citigroup Global Markets. He is Chairman of Charles Taylor Consulting plc and Silkroutefinancial Group Ltd and a Non-executive Director of Tenet Group Ltd and London Metal Exchange Holdings Limited.

## Directors' Report

The directors present their report, together with the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2009.

### Principal activities

Tullett Prebon plc operates as an intermediary in wholesale financial markets facilitating the trading activities of its clients, in particular commercial and investment banks. The main subsidiary undertakings through which the Group conducts its business are set out in Note 38 to the consolidated financial statements.

### Results and dividends

The results for the year are set out in the Consolidated Income Statement on page 39.

The directors recommend a final dividend for the year of 10.0p per ordinary share. The final dividend, if approved, will be paid on 20 May 2010 to ordinary shareholders whose names are on the register on 30 April 2010.

Tullett Prebon plc paid a final dividend for 2008 of 8.0p per ordinary share and an interim dividend for 2009 of 5.0p per ordinary share.

### Business review

The information that fulfils the requirements of the Business Review can be found on pages 05 to 21. The Business Review is incorporated into this Directors' Report by reference. It includes an analysis of the development and performance of the Group during the year, the position of the Group at the end of the year, financial and non-financial performance indicators, and information on the main trends and factors likely to affect the development, performance, key performance indicators and position of the business. A description of the principal risks and uncertainties facing the Group is included in the Risk Management section of the Business Review. Information on environmental, employee, social and community issues and information about persons with whom the Group has contractual or other arrangements which are essential to the business, is included in the CSR section of the Business Review.

This Annual Report has been prepared for, and only for, the members of the Company as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and such responsibility is expressly disclaimed. By their nature, the statements concerning the risks and uncertainties facing the Group in this Annual Report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

A separate Corporate Governance Report is included within this Annual Report on pages 26 to 29 and is incorporated into this Directors' Report by reference. The Corporate Governance Report includes the information that fulfils the requirements of section 7.2 of The Disclosure and Transparency Rules ('DTR') with the exception of the information referred to in DTR 7.2.6 which is located in this Directors' Report.

### Directors

The directors who served throughout the year were as follows:

**Keith Hamill**  
(Non-executive Chairman)

**Terry Smith**  
(Chief Executive)

**Paul Mainwaring**  
(Finance Director)

**David Clark**  
(Senior Independent Non-executive Director)

**Michael Fallon**  
(Independent Non-executive Director)

**Richard Kilsby**  
(Independent Non-executive Director)

**Rupert Robson**  
(Independent Non-executive Director)

Biographical details of the directors are set out on page 23.

The Company has made qualifying third party indemnity provisions for the benefit of its directors which remain in place at the date of this report.

### Directors' interests

The interests (all beneficial) of those persons who were directors at the end of the year in the ordinary share capital of the Company, together with comparatives for the previous year or the date of appointment, were as follows:

	2009 Number	2008 Number
Keith Hamill	80,299	80,299
Terry Smith	9,245,510	8,805,779
Paul Mainwaring	123,683	20,000
David Clark	–	–
Michael Fallon	2,000	2,000
Richard Kilsby	–	–
Rupert Robson	7,000	7,000

There were no changes in the interests of the directors in the ordinary share capital of the Company from the end of the year to the date of this report.

The Tullett Prebon plc Employee Share Ownership Trust held 555,631 shares at 31 December 2009 (2008: 1,425,892) and the Tullett Prebon plc Employee Benefit Trust 2007 held 677,797 shares (2008: 696,736). The beneficiaries of the trusts are the employees of the Group, including the executive directors. Under Schedule 1 of the Companies Act 2006 the executive directors are deemed to be interested in these shares.

Directors' share options are set out in the Report on Directors' Remuneration, including changes which have occurred since the end of the financial year.

### Share capital and control

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 27 which is incorporated into this Directors' Report by reference.

The Company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The voting rights of the ordinary shares held by the Tullett Prebon plc Employee Share Ownership Trust and the Tullett Prebon plc Employee Benefit Trust 2007 are exercisable by the trustees in accordance with their fiduciary duties. The right to receive dividends on these shares has been waived.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights, nor are there any arrangements by which, with the Company's co-operation, financial rights carried by securities are held by a person other than the holder of those securities.

Details of employee share schemes are set out in Note 29 which is incorporated into this Directors' Report by reference.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Act 2006 and related legislation.

The Articles may be amended by special resolution of the shareholders.

The powers of the directors include the authorities to allot shares and to buy the Company's shares in the market as granted by shareholders at the Annual General Meeting ('AGM'). At the last AGM a resolution was passed granting authority to the directors to purchase up to 21,531,358 ordinary shares. This authority will expire at the conclusion of the next AGM or, if earlier, on 1 July 2010, unless renewed before that time.

Further powers of the directors are described in the Schedule of matters reserved for the Board, which is available on the Company's website, and in the Corporate Governance Report on pages 26 to 29. The Schedule of matters reserved for the Board is incorporated into this Directors' Report by reference.

### Substantial interests

At 5 March 2010, being the latest practicable date before signing of this document, the following (not being directors, their families or persons connected, within section 252 of the Companies Act 2006) had notified the Company that they were interested in 3% or more of the voting rights of the issued ordinary share capital of the Company:

	%
Lloyds Banking Group plc	11.06
Jupiter Asset Management Limited	5.09
JPMorgan Asset Management Holdings Inc.	4.89
OppenheimerFunds, Inc.; Baring Asset Management Limited	3.89
Legal & General Group Plc	3.94

### Policy of payment to suppliers

It is the Group's policy that all transactions are settled in accordance with relevant terms and conditions of business agreed with the supplier, provided all such terms and conditions have been complied with. The Company does not have any trade creditors.

### Annual General Meeting

The AGM of the Company will be held at 2.30pm on 13 May 2010. Details of the resolutions to be proposed at the AGM are set out in a separate Notice of Meeting sent to all shareholders entitled to receive such Notice.

### Political and charitable donations

During 2009 no political donations were made by the Group (2008: nil). No charitable donations were made during 2009 (2008: nil).

### Auditors

A resolution to re-appoint Deloitte LLP as the auditors will be proposed at the forthcoming AGM.

### Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this Annual Report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the Board

**Paul Mainwaring**  
Company Secretary  
8 March 2010

## Corporate Governance Report

The directors are responsible for the corporate governance of the Group. They support the principles of good corporate governance and code of best practice laid down by the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the 'Combined Code').

Throughout the year ended 31 December 2009 the Board believes it has complied with the principles and provisions recommended by the Combined Code. The manner in which the Company has applied the principles of good governance set out in the Combined Code during 2009 is outlined below. The Combined Code is publicly available at [www.frc.co.uk](http://www.frc.co.uk).

### Directors

#### Composition of the Board

The Board currently comprises two executive directors, four independent non-executive directors and a non-executive Chairman. There were no changes to the membership of the Board during 2009. The directors' biographies are shown on page 23 and demonstrate the Board's depth of experience and skill. The non-executive directors also have the range of experience and the calibre to exercise independent judgement and contribute to Board discussions. Four of the directors (and three of the non-executive directors) have extensive previous experience at a senior level in the financial services sector and three of the directors are chartered accountants (two of whom were audit partners in a major firm of accountants), one of the non-executive directors was a Senior Adviser to the FSA, and both the Chairman and the Finance Director were previously Finance Directors of a number of other companies. The average age of the members of the Board is 55 (non-executive directors, including the Chairman – 57) and the average length of service of the non-executive directors excluding the Chairman (including membership of the Board of Collins Stewart Tullett plc) is five years.

The Chairman, Keith Hamill was, at appointment, independent of the Company and the management. Keith Hamill's other significant commitments are noted in his biography on page 23.

There is a clear division of responsibilities between the Chairman and the Chief Executive. The primary responsibility of the Chairman is the leadership of the Board. The primary responsibility of the Chief Executive, Terry Smith, is the running of the Company's operations and the development and implementation of strategy in order to maximise shareholder value.

In the event that any of the executive directors wished to take up a non-executive appointment with another company, the Board would be amenable to such a proposal, provided that the time commitment involved would not be too onerous. Following the demerger of Collins Stewart plc on 19 December 2006, Terry Smith became Chairman of Collins Stewart plc. In that capacity, Mr Smith's annual fee is £200,000, which he is entitled to retain.

The terms of the directors' service agreements and letters of appointment are summarised in the Report on Directors' Remuneration set out on pages 30 to 35. The terms and conditions of appointment of the non-executive directors will be available for

inspection during normal business hours on any weekday (other than public holidays) at the Company's offices from the date the notice of AGM is posted until the conclusion of the AGM.

#### Independence of directors

All of the non-executive directors are considered to be independent under any of the relevant codes and regulations.

The Senior Independent Non-executive Director, David Clark, has responsibility for dealing with any shareholders who have concerns, which contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve, or for which such contact is inappropriate.

#### Induction, professional development and management contact

All directors receive induction on joining the Board and relevant training is available to directors to assist them in the performance of their duties. The Audit Committee and the Remuneration Committee receive briefings on current developments. The non-executive directors take advantage of sector and general conferences and seminars and training events organised by professional firms and receive circulars and training materials from the Company and other professional advisers. Arrangements are made for non-executive directors to meet and receive regular presentations from members of the management teams and they attend the Company's management conferences. During the year the Board held a meeting in New York and reviewed the activities of the North American businesses and met the regional management team. Non-executive directors also visit the Company's international offices, usually in connection with other activities.

#### Conflicts of interest

The Company's Articles of Association permit the Board to consider and, if it sees fit, to authorise situations where a director has an interest that conflicts, or may possibly conflict, with the interests of the Company (a 'Relevant Situation'). The Board has a formal system in place for directors to declare Relevant Situations to be considered for authorisation by those directors who have no interest in the matter being considered. In deciding whether to authorise a Relevant Situation, the non-conflicted directors must act in the way they consider, in good faith, would be most likely to promote the success of the Company, and they may impose limits or conditions when giving the authorisation or subsequently if they think this is appropriate. The Board has followed the prescribed procedures in deciding whether, and on what terms, to authorise Relevant Situations and believes that the systems it has in place for reporting and considering Relevant Situations, including an annual review of authorisations, continue to operate effectively.

#### Performance evaluation

Reviews of the performance of the Board, its Committees and individual directors in respect of the previous financial year have been undertaken. In this process, consideration was given to whether the Board or Committee fulfilled its terms of reference satisfactorily, whether the terms of reference needed to be revised, whether the administration operated effectively and whether individual directors performed their roles effectively.

In March 2009 and March 2010, the Chairman formally met with the non-executive directors without the executive directors being present to evaluate, amongst other matters, the performance of the individual executive directors. The Senior Independent Non-executive Director also met with the other non-executive directors without the Chairman being present to evaluate the Chairman's performance. Appropriate feedback was provided following these meetings. The Chairman has also provided feedback on performance to the non-executive directors.

### Re-election

All directors are subject to election by shareholders at the first AGM after their appointment. Thereafter, any director who has held office for three years or more is required to retire by rotation at the AGM but is entitled to seek re-election. Paul Mainwaring and Rupert Robson will seek re-election at the AGM in May 2010; the Board is satisfied that, following formal performance evaluation, each of these directors' performance continues to be effective, and each demonstrates commitment to their role.

The Board has commenced the process of recruiting an additional non-executive director with the experience to act as the Senior Independent Director. David Clark has agreed to the Board's request to remain on the Board until the AGM in 2011.

### Board administration

The Board has a formal Schedule of matters reserved to it for decision, which can be viewed on the Company's website ([www.tullettprebon.com](http://www.tullettprebon.com)). The Schedule includes, among other things:

- approval of the Group's strategy;
- changes to the Group's management and control structure;
- approval of any material borrowing or commitment;
- Board appointments and removals;
- reporting to shareholders; and
- environmental, social and governance policies, including corporate social responsibility policy.

Beneath the Board there is a structure of delegated authority which sets out the authority levels allocated to the individual directors and senior management.

The Board has established Audit, Remuneration and Nominations Committees to which it has delegated some of its responsibilities. Each of the Committees has detailed terms of reference, which can be viewed on the Company's website and a schedule of business to be transacted during the year. The responsibilities of each of the committees together with an overview of their meetings during the year are described below.

The Board and its Committees are provided with appropriate information on a timely basis to enable them to discharge their duties. All directors receive written reports prior to each meeting which enable them to make an informed decision on corporate

and business issues under review. All Board meetings are minuted and any unresolved concerns are recorded in such minutes.

The Board has a schedule of eight meetings each year to discuss the Group's ordinary course of business. Every effort is made to arrange these meetings so that all directors can attend; additional meetings are arranged as required.

The following table sets out the number of meetings of the Board and its Committees during the year and attendance by directors at those meetings:

	Board*	Audit Committee	Remuneration Committee
<b>Total number of meetings</b>	8	5	7
<b>Executive Directors</b>			
Terry Smith	8	–	–
Paul Mainwaring	8	–	–
<b>Non-executive Directors</b>			
Keith Hamill	8	–	6**
David Clark	8	5	7
Michael Fallon	8	5	7
Richard Kilsby	8	5	7
Rupert Robson	8	5	7

\* excludes meetings of committees of the Board appointed to complete business approved by the Board or routine business.

\*\* Keith Hamill stood down as a member of the Remuneration Committee during the year, and was present at all six meetings of the Remuneration Committee held during his time as a member.

There were no meetings of the Nominations Committee held during 2009.

All directors have access to the services of the Company Secretary and there are procedures in place for taking independent professional advice at the Company's expense if required.

The Company Secretary is responsible for ensuring that the Board keeps up to date with key changes in legislation which affect the Company. The appointment or removal of the Company Secretary is a matter reserved for the Board.

### Audit Committee

The Audit Committee is chaired by Richard Kilsby, who has recent and relevant financial experience. The other members of the Audit Committee are David Clark, Michael Fallon and Rupert Robson, all of whom are independent non-executive directors.

The Chairman, the executive directors, the Company's external and internal auditors, the Group Treasurer and Head of Risk Control, and other senior finance personnel may attend Committee meetings by invitation. The Committee has a discussion with the external auditors at least once a year without executive directors being present, to ensure that there are no unresolved issues of concern.



## Corporate Governance Report continued

Throughout 2009 the Committee's terms of reference included:

- recommendation on appointment of the external auditors;
- review of independence and objectivity of external auditors;
- review of effectiveness of the audit process;
- approval of the annual audit plan and scope of audit engagement;
- monitoring the integrity of the financial statements;
- review of the results of the audit;
- review of the effectiveness of the Company's internal control procedures;
- review of the effectiveness of the internal audit function and consideration of internal audit reports; and
- review of the arrangements by which staff may, in confidence, raise concerns about improprieties in financial reporting and other matters.

During the year the Audit Committee reviewed the cost effectiveness, objectivity and independence of the external auditors and the level of fees received in respect of the various services provided by them in addition to the audit during 2009. The auditors confirmed to the Audit Committee that they did not believe that the level of non-audit fees had affected their independence. The Audit Committee additionally considered the professional and regulatory guidance on auditor independence and was satisfied with the auditors' representations. The Audit Committee's policy is to use the most appropriate advisers for non-audit work, taking account of the need to maintain independence.

The Audit Committee is responsible for reviewing the half-year and preliminary announcements of results and the statutory accounts prior to their approval by the Board. When conducting the review, the Committee considers the continuing appropriateness of the accounting policies, judgements made in the production of the numbers and the adequacy and appropriateness of disclosures.

The Committee has reviewed arrangements by which staff may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters. In conducting the review, the Committee took into account whether the policies were in line with guidance published by the FSA.

The Audit Committee received reports from the internal auditor, PricewaterhouseCoopers, during the year and reviewed the schedule of work proposed by the internal auditor, the resources available to carry out the schedule and key findings. A system of reporting to follow up on all matters raised by both internal and external audit was taken into account in assessing the effectiveness of the internal audit function.

The terms of reference of the Audit Committee will be available for inspection during normal business hours on any weekday (other than public holidays) at the Company's offices from the date the notice of AGM is posted until the conclusion of the AGM, and are also available on the Company's website.

### Remuneration Committee

The Remuneration Committee is chaired by Rupert Robson. The other members of the Remuneration Committee are Michael Fallon, David Clark, and Richard Kilsby, all of whom are independent non-executive directors. Keith Hamill, the Company Chairman, was a member of the Remuneration Committee until September 2009.

The Board has delegated the following responsibilities to the Remuneration Committee:

- developing the Company's remuneration policies;
- reviewing the relationship between incentives and risk;
- determining the remuneration of Executive Directors and the Chairman;
- reviewing and approving the remuneration of Senior Management after consultation with the Chief Executive;
- oversight of the remuneration policies applicable to Brokers; and
- approving all share and long term incentive schemes and their application.

The Chief Executive attends certain parts of meetings of the Remuneration Committee by invitation. The Chairman does not attend meetings where his own remuneration is being discussed.

During 2009 and subsequently, the Remuneration Committee has been advised by PricewaterhouseCoopers executive compensation consultants.

Further details of the Company's policies on remuneration, service contracts and share options are given in the Report on Directors' Remuneration.

The terms of reference of the Remuneration Committee will be available for inspection during normal business hours on any week day (other than public holidays) at the Company's offices from the date the notice of AGM is posted until the conclusion of the AGM, and are also available on the Company's website.

The Report on Directors' Remuneration is set out on pages 30 to 35.

### Nominations Committee

The Nominations Committee is chaired by Keith Hamill. The other members of the Nominations Committee are David Clark, Michael Fallon, Richard Kilsby and Rupert Robson, all of whom are independent non-executive directors. The terms of reference of the Nominations Committee provide that the Chairman of the Board would not be permitted to chair the Committee if it were dealing with the issue of his replacement.

The Board has delegated responsibility to the Nominations Committee for:

- reviewing the balance and skill, knowledge and experience of the Board;
- agreeing and implementing procedures for the selection of new Board appointments; and
- making recommendations to the Board on all proposed new appointments.

In considering the appointment of new non-executive directors, the Committee takes account of the time commitment likely to be required of the appointee. The likely time commitment is referred to in all new letters of appointment.

The terms of reference of the Nominations Committee will be available for inspection during normal business hours on any week day (other than public holidays) at the Company's offices from the date the notice of AGM is posted until the conclusion of the AGM and are also available on the Company's website.

No new appointments to the Board were proposed or made during 2009, and no meetings of the Nominations Committee were held.

### Risk management and internal control

The Board is responsible for setting the Group's risk appetite and ensuring that it has an appropriate and effective risk management framework and for monitoring the ongoing process for identifying, evaluating, managing and reporting the significant risks faced by the Group. The Group's risk management governance structure and the Group's risk profile are described in the Risk Management section of the Business Review.

The Board is also responsible for the Group's system of internal control and for reviewing its effectiveness. In discharging its responsibilities in this respect, the Board has appointed the Audit Committee to carry out the annual review of the effectiveness of the internal control and risk management systems and to report to the Board thereon. This process has been in place for the year under review and up to the date of approval of the Annual Report, is reviewed regularly by the Board and accords with the Turnbull guidance appended to the Combined Code. The Audit Committee conducted a formal review of the effectiveness of the Group's internal control systems for 2009, considering reports from management, external audit and the work of the risk control and internal audit functions.

The Group has a comprehensive system for financial reporting which is subject to review by both internal and external audit. Budgets, regular re-forecasts and monthly management accounts including balance sheets and cash flows are prepared at all levels of the business and consolidated reports are reviewed by the Board. These reports include comparisons of performance and position against prior year, budgets and forecasts.

The Group has investments in a number of joint ventures and associated companies. Where the Group is not directly involved in the management of the investment, it can influence, through board

representation, but not control, the internal control systems present in those entities. The Board's review of the effectiveness of the system of internal controls in those entities is consequently less comprehensive than in its directly owned subsidiaries.

### Relations with shareholders

The Board recognises the importance of communication with shareholders. The Company's website, [www.tullettprebon.com](http://www.tullettprebon.com), provides information for shareholders on the Group's activities, results, products and recent developments.

There is regular dialogue with institutional investors, fund managers and analysts, including presentations around the time of the results announcements and also on request. The Chairman maintains ongoing relations with shareholders when necessary or appropriate and is available to those shareholders who have a policy of regular contact or who wish to discuss specific matters. The Senior Independent Non-executive Director and the other non-executive directors are available to meet with shareholders, should such meetings be requested.

### Annual General Meeting

The Board uses the AGM to communicate with investors and welcomes their participation. Notice of the AGM, and related papers, are sent to shareholders at least 20 working days before the meeting. The Chairman aims to ensure that all of the directors, including Chairmen of the Committees of the Board, are available at AGMs to answer questions and meet shareholders. The proxy votes cast on each resolution proposed at general meetings are disclosed at those meetings. To encourage shareholder participation, those shareholders whose shares are held via the CREST system are offered the facility to submit their proxy votes via CREST.

### Accountability and Audit

The directors' statement regarding their responsibility for preparing the Annual Report is set out on page 36 and the independent auditors' report regarding their reporting responsibility is on page 38.

### Going concern

The Group's business activities and performance, and the financial position of the Group, its cash flows, liquidity position, borrowing facilities and hedging strategy, together with the factors likely to affect its future development, performance and position, are discussed in the Business Review on pages 05 to 21. Analysis of the Group's key risks and approach to risk management is also set out in the Business Review on pages 15 to 18. Details of the Group's interest-bearing loans and borrowings, derivative financial instruments, obligations under finance leases, long-term provisions, other long-term payables and financial instruments are set out in Notes 21 to 26.

The Group has considerable financial resources both in the regions and at the corporate centre to comfortably meet the Group's ongoing obligations.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the annual report and accounts continue to be prepared on the going concern basis.

## Report on Directors' Remuneration

The Report on Directors' Remuneration sets out the role of the Remuneration Committee, the Company's general remuneration policies and how they are applied to directors and details of directors' remuneration for the year ended 31 December 2009. The report has been prepared in accordance with Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008, the Listing Rules and the Combined Code, and will be put to shareholders for approval at the AGM on 13 May 2010.

The Companies Act 2006 requires the auditors to report to the Company's members on certain parts of the Report on Directors' Remuneration and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act. All sections of this report, except for 'Details of directors' remuneration', are unaudited.

In this report, we use the following terminology:

'Executive Director' means any executive member of the Board;

'Senior Management' means those members of the Company's Executive Committee who are not Executive Directors and the first level of management below that level; and

'Broker' means front office revenue generators.

### Remuneration committee

The members of the Remuneration Committee and its responsibilities are set out in the Corporate Governance Report on page 28, the relevant sections of which are incorporated into this Report on Directors' Remuneration by reference. The Remuneration Committee is responsible, on behalf of the Board, for:

- developing the Company's remuneration policies;
- reviewing the relationship between incentives and risk;
- determining the remuneration of Executive Directors and the Chairman;
- reviewing and approving the remuneration of Senior Management after consultation with the Chief Executive;
- oversight of the remuneration policies applicable to Brokers; and
- approving all share and long term incentive schemes and their application.

The Committee's terms of reference are available on the Company's website or, on request, from the Company Secretary.

The Chairman of the Remuneration Committee attends Annual General Meetings of the Company and is available to answer questions raised by shareholders.

### Professional advice

During 2009 and subsequently the Remuneration Committee received advice from PricewaterhouseCoopers LLP ('PwC') executive compensation consultants on all aspects of the remuneration of the Executive Directors, the risk profile of the Company and the implications of the risk profile for the Company's remuneration policies. PwC were appointed by the Remuneration Committee. During 2009 and subsequently, PwC have also provided outsourced internal audit services, tax advice, and corporate finance due diligence services in connection with the acquisition of Convenção.

### Future developments

The Remuneration Committee keeps up to date with the latest regulatory and market developments, guidelines and codes of practice published by various bodies, and research published by professional advisers.

During 2009 there has been a considerable amount of regulation and guidance issued on executive remuneration, with particular emphasis on the financial services sector, some of which is still subject to consultation. The Remuneration Committee anticipates that revised guidance will be published during 2010 and will discuss with its main institutional shareholders any changes in the Company's remuneration policies resulting from this process.

### Remuneration policies

In common with other businesses operating in the sectors in which the Company trades, the Company's remuneration policies are in some respects distinct from the normal practices of UK listed companies. The majority of the Company's competitors are not UK listed companies. It is considered to be in the best interests of the Company and the shareholders to pay remuneration in line with market practice in the sectors in which the Company operates.

The Company's remuneration policies are designed to attract, motivate and retain staff with the necessary skills and experience to achieve high levels of profit and returns for shareholders. The application of this policy takes account of general practices in the parts of the financial services sector in which the Company trades, which is characterised by high levels of remuneration dependent upon the achievement of correspondingly high levels of performance, in contrast to many other sectors.

The Remuneration Committee has carefully considered the relationship between incentives and risk. Details of the Company's key risks and risk management are set out in the Business Review. The majority of transactions are brokered on a Name Give-Up basis where the business acts as agent in arranging the trade. Commissions earned on these activities are received monthly in cash. The business does not take any trading risk and does not hold principal trading positions. The business only holds financial instruments for identified buyers and sellers in matching trades which are settled within one to three days. The business does not retain any contingent risks. The business does not have valuation issues in measuring its profits. The Remuneration Committee considers that the general remuneration policies described above, and the specific remuneration policies below, reflect the low risk profile of the Company.



The Company's general remuneration policies for Executive Directors and Senior Management include the following:

1. Remuneration includes high levels of variable rewards that are dependent on performance. The main component of these variable rewards is annual bonuses which are used to motivate and retain staff and to achieve superior returns for shareholders.
2. Salaries are paid monthly and are normally set at a level to provide a reasonable level of fixed remuneration which would be appropriate in circumstances where bonuses are not paid due to circumstances of weak performance. Salaries are reviewed annually. These reviews give rise to salary increases only if information on comparable sector practice indicates that salary levels are out of line with the market.
3. Performance bonuses are discretionary and not contractual, with the level of annual bonus determined on the basis of judgements on performance relative to the trading conditions and other circumstances and the achievement of objectives. The basis for determining the performance bonuses of Executive Directors is set out separately below.
4. In determining individual performance bonuses, the primary objective is to motivate and retain key staff. While bonuses will reflect, to a degree, short-term financial outcomes against budget, other factors are taken into account. Consequently, it is possible that, in some market circumstances, individual superior performance may not be reflected in the achievement of budgets but may merit the payment of significant bonuses. This approach is balanced by the Company's principle that the cost of staff should be sensitive to returns to shareholders. It is the Company's policy not to pay performance bonuses in the event of unsatisfactory personal performance.
5. The Remuneration Committee does not believe that the formal capping of performance bonuses is consistent with the delivery of enhanced returns to shareholders. The policy of minimising fixed remuneration as a proportion of overall remuneration means that the Company cannot apply percentages or multiples of salary to the determination of bonuses. Given the Company's risk profile (described above) it is not considered necessary to attach claw back or deferral conditions to the annual bonuses paid to management.
6. Long Term Incentive Plan ('LTIP') awards have been structured to reward the achievement of medium term operational objectives, financial performance and growth in shareholder value. The Remuneration Committee recognises the importance of aligning the interests of Executive Directors with those of shareholders and equity incentive awards will continue to form part of their remuneration packages. The Remuneration Committee has concluded that the provision of substantial long term equity based incentives to Senior Management is not consistent with general market practice in the Company's key competitor organisations and consequently no further awards will be made to Senior Management under the LTIP for the foreseeable future.

7. The Company provides defined contribution pension arrangements. It also provides employees with medical insurance but otherwise seeks to avoid the provision of benefits in kind.

Remuneration for Brokers is directly based on financial performance, generally at a desk team level, and is calculated in accordance with formulae set out in fixed term contracts of employment. Sign-on bonuses are only paid upfront when a claw back provision is included in the contract of employment. Typically, Brokers receive a fixed salary paid regularly throughout the year, with a significant proportion of variable remuneration dependent on revenue, normally after related direct costs, which is paid after the revenue has been fully received in cash. Once cash has been received, revenue is not subject to any remaining contingency.

### Application of policies to Executive Directors

The Company currently has two Executive Directors who are Terry Smith, Chief Executive and Paul Mainwaring, Finance Director. The above policies are applied to the Executive Directors as follows.

#### Salaries

Salaries are reviewed and determined by the Remuneration Committee. In accordance with the Company's policies, salaries are not routinely increased annually. In determining salaries the Remuneration Committee takes into account salary levels for equivalent positions in comparable sector businesses, most of which are not UK listed companies.

#### Discretionary performance bonuses

Executive Directors' bonuses are discretionary and no Director has an entitlement to a bonus.

In determining the annual performance bonus, the Remuneration Committee establishes a bonus pool for the Executive Directors. The pool is then allocated between Executive Directors taking into consideration their personal contribution and internal relativities. It is the policy of the Remuneration Committee not to pay bonuses to a Director if it is not satisfied with personal performance. If, following this process, not all of the bonus pool has been allocated, the unallocated proportion is retained by the Company.

#### 2009 bonus

As previously, the bonus pool for 2009 for Executive Directors was determined using the following formula:

1. Ten per cent of the surplus return on capital employed ('ROCE') achieved in the year after deducting the Company's weighted average cost of capital;
2. One per cent of the value of the absolute total shareholder return ('TSR') in the year, after deducting an average risk free capital return to shareholders; and
3. One per cent of the value of the relative total return to shareholders benchmarked against the average of returns achieved by the UK FTSE 250 index and the UK FTSE General Financials index in the year.

## Report on Directors' Remuneration continued

For this purpose shareholder returns do not include exceptional returns of capital as opposed to normal dividends.

For 2009 the Remuneration Committee concluded that it should not take account of TSR performance because of the low share price at the start of the year, which had resulted from the effect of the 2008 financial crisis on the share prices of companies in the financial services sector. It also determined that the bonus pool arising from the surplus returns exceeded comparables, particularly after a number of years of increasing profitability and reductions in capital employed. Accordingly the bonuses awarded to Executive Directors are substantially below the amounts arising from the formula set out above.

Consistent with the approach taken for the 2008 performance bonuses, one-half of the 2009 bonuses for the Executive Directors will be deferred into the Company's shares.

The investment in the Company's shares will be matched by a LTIP grant in 2010 with a one-to-one value match, although this is also limited by the rules of the LTIP on the scale of grants. The level of bonus deferral reflects arrangements under the LTIP and is not an expression of the Company's risk profile.

### **Bonus for 2010 and later years**

The Remuneration Committee considers that incentives for Executive Directors should be clearly aligned with the short-term financial outcome, with reward for longer term performance achieved through equity based incentives, and that the bonus formula should be simplified. It has, therefore, resolved that, for 2010, annual incentives for Executive Directors should be paid from a pool that is generated from annual profits.

In determining the annual performance bonus for 2010 and subsequent years, the Remuneration Committee will establish a bonus pool for all Executive Directors using the formula of 4.0% – 4.5% of the surplus of operating profit over a threshold calculated as the weighted average cost of capital multiplied by capital employed. The weighted average cost of capital is currently approximately 11.5%.

The effect of the change in the formula is that the bonus pool will be approximately consistent with the proportion of operating profit paid in bonuses to the Executive Directors over the last two years.

The determination of the total bonus pool within the range will take account of additional factors, such as the achievement of the Company's and individuals' objectives and corporate performance relative to market circumstances. The Remuneration Committee will report on its assessment of the achievement of Company and individual objectives and relative performance in the Report on Directors' Remuneration.

In exceptional circumstances, the Remuneration Committee may decrease or increase the amounts resulting from the formula to take account of, for example, the impact of strategic investments that depress short-term results or exceptional personal performance compared with market circumstances, if it concludes that doing so would be in the interests of shareholders. The Remuneration Committee will record and explain any such variation in the Report on Directors' Remuneration.

In addition, the Remuneration Committee may change the formula in the future to take account of factors such as changes in the number of Executive Directors participating in the bonus pool. The Remuneration Committee will record and explain any such change in the Report on Directors' Remuneration.

### **Long term and share incentive schemes**

The participation of Executive Directors in long term and share incentive schemes is determined by the Remuneration Committee which agrees each year performance conditions to attach to the awards that are consistent with the Company's strategic objectives at that time. Assessment of the achievement of non-market based performance targets is calculated by the Finance Director and reviewed by the Auditors. Assessment of market-based performance conditions is undertaken by the Remuneration Committee's independent remuneration consultant.

The LTIP was approved by shareholders in 2006. The initial grants were made in 2008 at 200% of annual salary plus bonus. Subsequent grants are limited to 300% of annual salary. Details of awards made are set out below.

### **Total remuneration levels for Executive Directors**

Comparable levels of remuneration for Executive Directors in similar companies have been reviewed, with the aid of professional advice. The review confirmed that Tullett Prebon's approach is in line with normal practices adopted in the IDB sector.

The relative importance of the fixed and variable elements of remuneration for the Executive Directors has been carefully considered by the Remuneration Committee. Apart from fixed salaries, all other elements of remuneration are related to performance.

### **Long term share incentive plans**

Shareholder approval was granted in November 2006 for the discretionary long term incentive plan, the Tullett Prebon Long Term Incentive Plan. The principal aim of the Tullett Prebon LTIP is to improve operating performance. The first awards under this plan were made in 2008.

### **2008 awards**

For awards made in 2008, minimum vesting of awards will be achieved if annual revenue growth is 5% per annum for the three years to 31 December 2010 with maximum vesting of awards if annual revenue growth is 10% per annum over the same period, subject in both cases to achieving in 2010 operating margins of 17.5% and a return on capital employed of not less than 25% on operating assets and goodwill, including on future acquisitions.

The Remuneration Committee selected these measures as they were consistent with business objectives at that time.

The awards made in 2008 are in the form of share options, exercisable for £1 in total.

The Remuneration Committee attached an investment condition to LTIP awards made in 2008 under which holders of those awards are required to use one-half of their annual bonuses in respect of 2008 and 2009 to purchase shares in the Company in order to retain their right to the award. Shares acquired under the investment condition are required to be held until the first date on which the awards become exercisable (31 March 2011).

The investment condition with regard to the 2008 annual bonus was met by the Executive Directors' bonus deferrals into Company shares. The investment condition with regard to the 2009 annual bonus will be met by the Executive Directors' bonus deferrals which are subject to sale restrictions for two years.

#### 2009 awards

For awards made in 2009, minimum vesting of 25% of the awards will be achieved if the ranking percentile of the Company's TSR over the three years to 31 December 2011 relative to the TSR over that period of all other companies comprising the FTSE 250 (excluding investment trusts) at 1 January 2009 is 50th, with maximum vesting of 100% if the ranking percentile is 25th or better, subject in both cases to achieving in 2011 a ROCE of not less than 25% on operating assets and goodwill, including on future acquisitions. The Remuneration Committee considers that relative TSR meets investors' expectations of outperformance against a peer group for LTIP vesting and the ROCE measure provides a financial performance hurdle.

The awards made in 2009 are in the form of share options, exercisable for £1 in total.

### Details of directors' remuneration

Total emoluments received by directors during the year ended 31 December 2009 were as follows:

	Salaries and fees		Benefits		Bonuses				Total	
	2009	2008	2009	2008	Cash		To be invested in shares		2009	2008
	£000	£000	£000	£000	2009	2008	2009	2008	£000	£000
<b>Executive Directors</b>										
Terry Smith	650	650	2	2	2,000	2,000	2,000	2,000	4,652	4,652
Paul Mainwaring	275	275	1	1	500	475	500	475	1,276	1,226
<b>Non-executive Directors</b>										
Keith Hamill	150	150	–	–	–	–	–	–	150	150
David Clark	45	45	–	–	–	–	–	–	45	45
Michael Fallon	45	45	–	–	–	–	–	–	45	45
Richard Kilsby	45	45	–	–	–	–	–	–	45	45
Rupert Robson	41	40	–	–	–	–	–	–	41	40
	<b>1,251</b>	1,250	<b>3</b>	3	<b>2,500</b>	2,475	<b>2,500</b>	2,475	<b>6,254</b>	6,203

#### Executive Directors

##### Salaries

The salary of the Chief Executive, Terry Smith, is £650,000 and has not been changed since 2005. The salary of the Finance Director, Paul Mainwaring, is £275,000 and has not changed since his appointment in 2006.

##### Annual bonuses

The Remuneration Committee has determined the following awards in respect of 2009 (2008 awards in brackets):

Terry Smith:

- £2.0m (2008: £2.0m) in cash; and
- £2.0m (2008: £2.0m) to be awarded on condition that it is invested in the Company's shares, to be held for a minimum of two years.

Paul Mainwaring:

- £0.5m (2008: £0.475m) in cash; and
- £0.5m (2008: £0.475m) to be awarded on condition that it is invested in the Company's shares, to be held for a minimum of two years.

The total bonus payout for 2009 and 2008 is substantially less than the pool arising from the quantitative formula before other factors were taken into account.

## Report on Directors' Remuneration continued

### Long term incentives

The outstanding share options granted to each person who served as a director of the Company at any time in the financial year are as follows:

Director	Date of grant	Shares under option at 1 Jan 2009	Granted during the year	Exercised during the year	Lapsed unexercised during the year	Shares under option at 31 Dec 2009	Exercise price	Date from which first exercisable	Date of expiry of option
Terry Smith	18 March 2008	1,860,465	–	–	–	1,860,465	£1 in total	18 March 2011	18 March 2018
Terry Smith	22 June 2009	–	671,441	–	–	671,441	£1 in total	22 June 2012	22 June 2019
Paul Mainwaring	18 March 2008	360,465	–	–	–	360,465	£1 in total	18 March 2011	18 March 2018
Paul Mainwaring	22 June 2009	–	284,071	–	–	284,071	£1 in total	22 June 2012	22 June 2019

The lowest share price of Tullett Prebon plc ordinary shares during the year to 31 December 2009 was 113.0p and the highest price was 428.0p. At 31 December 2009 it was 278.9p.

### Benefits

No pension contributions were made in respect of Terry Smith during 2009 (2008: nil). Paul Mainwaring received pension contributions during 2009 of £6,336 (2008: £6,336). These contributions were made to the Tullett Prebon Group Personal Pension Plan.

Terry Smith and Paul Mainwaring received private medical cover at a cost of £1,792 and £733 respectively during 2009.

### Outside directorships

At the time of the demerger of Collins Stewart plc it was decided that it would be in the best interests of the then shareholders if Terry Smith undertook the role of Chairman of that company. In that capacity, Terry Smith receives a salary of £200,000 per annum and is entitled to a bonus for the year ended 31 December 2009 from Collins Stewart plc.

Paul Mainwaring has no outside directorships.

### Non-executive Directors

The fees paid to the non-executive directors are determined by the Board and the fees paid to the Chairman are determined by the Remuneration Committee. These are benchmarked against published information on the fees paid to the non-executive directors of UK listed companies of comparable size and activities. During 2009 the Chairmen of the Remuneration and Audit Committees and the Senior Independent Non-executive Director were paid additional fees to reflect their increased time commitment and responsibilities.

It was determined that with effect from 1 December 2009 all non-executive directors would receive fees of £50,000 per annum, irrespective of committee responsibilities. The Chairman's fee was unchanged. Non-executive directors and the Chairman are not eligible to participate in short or long term incentive plans or to receive any pension from the Company.

### Directors' contracts

The Company's current policy is that Executive Directors serve under contracts terminable on 12 months' notice and are subject to mitigation and restrictive covenants. It is the Remuneration Committee's policy that termination payments will not exceed 100% of base salary plus annual bonus. The contracts provide for retirement at the age of 65 in all cases.

Details of the Executive Directors' service contracts are set out below:

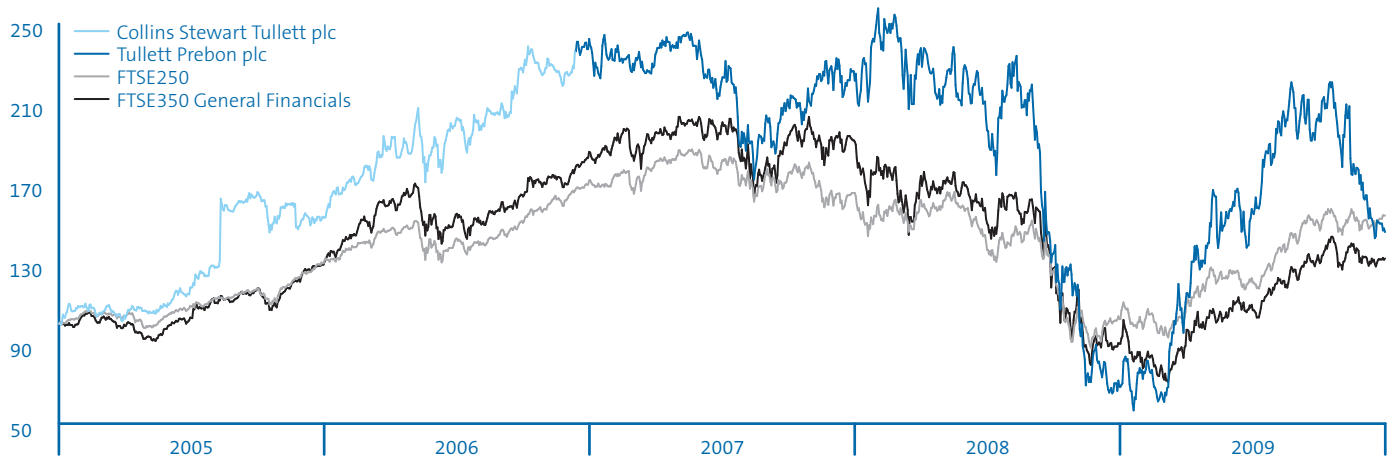
Director	Date of contract
Terry Smith	29 January 2007
Paul Mainwaring	25 September 2006

Non-executive directors serve under letters of appointment subject to 12 months' notice, as set out below:

Director	Date of letter of appointment
Keith Hamill	22 September 2000
David Clark	10 March 2003
Michael Fallon	24 August 2004
Richard Kilsby	3 June 2005
Rupert Robson	4 January 2007

### Total shareholder returns

A graph depicting the Company's total shareholder return in comparison to other companies in the FTSE Mid 250 index and the FTSE General Financials index in the five years to 31 December 2009 is shown below:



The Board believes that the above indices are most relevant as they comprise either businesses of similar size or engaged in the financial services industry.

On behalf of the Board

**Rupert Robson**  
 Chairman of the Remuneration Committee  
 8 March 2010

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice ('UK GAAP'). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In the case of the Group Financial Statements, International Accounting Standard 1 requires that directors:

- select and apply accounting policies properly;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In the case of the Parent Company Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Report on Directors' Remuneration which comply with the requirements of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the Company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

### Responsibility statement

The directors confirm, to the best of their knowledge, that:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the business review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

**Terry Smith**  
**Chief Executive**  
**8 March 2010**

# Financial Statements

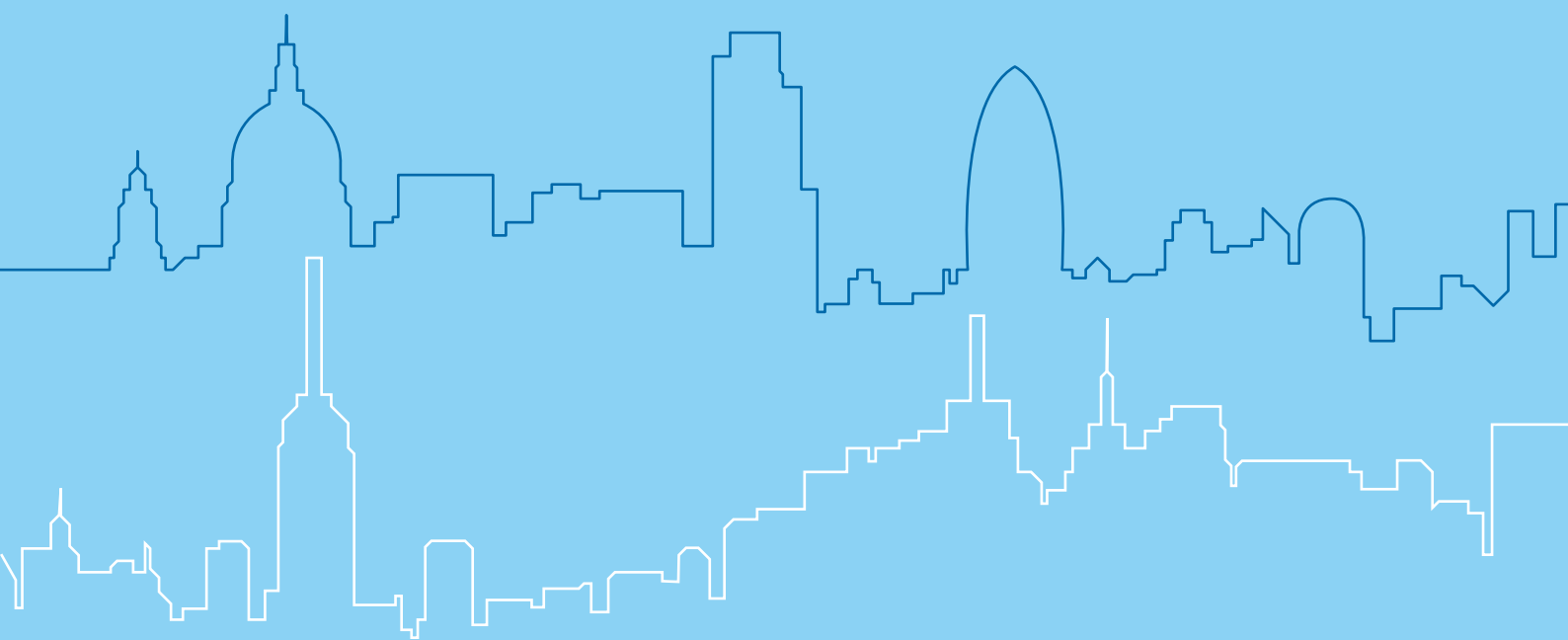
## In this section:

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## Independent auditors' report to the members of Tullett Prebon plc

We have audited the Group Financial Statements of Tullett Prebon plc for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Group Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion the Group Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Group Financial Statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Business Review in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

### Other matter

We have reported separately on the Parent Company Financial Statements of Tullett Prebon plc for the year ended 31 December 2009.

### Manbhinder Rana (Senior Statutory Auditor) for and on behalf of

**Deloitte LLP**  
Chartered Accountants and Statutory Auditors  
London  
United Kingdom  
8 March 2010



## Consolidated Income Statement

for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
<b>Revenue</b>	4	<b>947.7</b>	943.6
Administrative expenses		<b>(781.2)</b>	(774.1)
Other operating income	5	<b>4.3</b>	5.6
Exceptional items	6	<b>–</b>	(19.5)
<b>Operating profit</b>		<b>170.8</b>	155.6
Finance income	8	<b>20.2</b>	24.8
Finance costs	9	<b>(34.5)</b>	(43.4)
<b>Profit before tax</b>		<b>156.5</b>	137.0
Taxation	10	<b>(46.9)</b>	(43.3)
<b>Profit of consolidated companies</b>		<b>109.6</b>	93.7
Share of results of associates		<b>1.8</b>	1.3
<b>Profit for the year</b>	6	<b>111.4</b>	95.0
<b>Attributable to:</b>			
Equity holders of the parent		<b>110.8</b>	94.5
Minority interests		<b>0.6</b>	0.5
		<b>111.4</b>	95.0
<b>Earnings per share</b>			
Basic	11	<b>51.8p</b>	44.4p
Diluted	11	<b>51.2p</b>	44.0p
<b>Adjusted earnings per share is disclosed in note 11</b>			

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
<b>Profit for the year</b>		<b>111.4</b>	95.0
<b>Other comprehensive income:</b>			
Revaluation of available-for-sale assets		<b>0.9</b>	0.5
Gain/(loss) on net investment hedge	22	<b>2.5</b>	(17.2)
Effect of changes in exchange rates on translation of foreign operations		<b>(17.2)</b>	46.5
Actuarial losses on defined benefit pension schemes	35	<b>(0.5)</b>	(9.4)
Taxation (charge)/credit on components of other comprehensive income	10	<b>(1.9)</b>	9.7
<b>Other comprehensive income for the year</b>		<b>(16.2)</b>	30.1
<b>Total comprehensive income for the year</b>		<b>95.2</b>	125.1
<b>Attributable to:</b>			
Equity holders of the parent		<b>94.9</b>	123.6
Minority interests		<b>0.3</b>	1.5
		<b>95.2</b>	125.1

## Consolidated Balance Sheet

as at 31 December 2009

	Notes	2009 £m	2008 £m
<b>Non-current assets</b>			
Goodwill	13	373.5	387.7
Other intangible assets	14	7.4	5.8
Property, plant and equipment	15	25.6	27.6
Interest in associates	16	3.5	3.5
Other financial assets	17	4.8	4.7
Deferred tax assets	18	13.7	18.0
		<b>428.5</b>	447.3
<b>Current assets</b>			
Trade and other receivables	19	5,765.0	13,547.6
Other financial assets	17	30.1	30.2
Cash and cash equivalents	31(b)	366.1	375.0
Derivative financial instruments	22	–	4.6
		<b>6,161.2</b>	13,957.4
<b>Total assets</b>		<b>6,589.7</b>	14,404.7
<b>Current liabilities</b>			
Trade and other payables	20	(5,825.5)	(13,648.5)
Interest bearing loans and borrowings	21	(30.2)	(30.6)
Derivative financial instruments	22	–	(14.3)
Current tax liabilities		(36.7)	(28.9)
Short term provisions	24	(1.5)	(2.2)
		<b>(5,893.9)</b>	(13,724.5)
<b>Net current assets</b>		<b>267.3</b>	232.9
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	21	(357.0)	(392.0)
Retirement benefit obligations	35	(1.3)	(8.5)
Deferred tax liabilities	18	(8.1)	(0.6)
Long term provisions	24	(7.8)	(9.7)
Other long term payables	25	(9.1)	(24.9)
		<b>(383.3)</b>	(435.7)
<b>Total liabilities</b>		<b>(6,277.2)</b>	(14,160.2)
<b>Net assets</b>		<b>312.5</b>	244.5
<b>Equity</b>			
Share capital	27	53.8	53.8
Share premium	28(a)	9.9	9.9
Reverse acquisition reserve	28(a)	(1,182.3)	(1,182.3)
Other reserves	28(b)	128.6	139.9
Retained earnings	28(c)	1,300.3	1,220.8
<b>Equity attributable to equity holders of the parent</b>	28(c)	<b>310.3</b>	242.1
Minority interests	28(c)	2.2	2.4
<b>Total equity</b>		<b>312.5</b>	244.5

The consolidated financial statements of Tullett Prebon plc (registered number 5807599) were approved by the Board of directors and authorised for issue on 8 March 2010 and are signed on its behalf by:

**Terry Smith**  
Chief Executive

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

	Equity attributable to equity holders of the parent									Minority interests £m	Total equity £m
	Share capital £m	Share premium account £m	Reverse acquisition reserve £m	Revaluation reserve £m	Merger reserve £m	Hedging and translation £m	Own shares £m	Retained earnings £m	Total £m		
<b>Balance at 1 January 2009</b>	<b>53.8</b>	<b>9.9</b>	<b>(1,182.3)</b>	<b>1.4</b>	<b>121.5</b>	<b>23.9</b>	<b>(6.9)</b>	<b>1,220.8</b>	<b>242.1</b>	<b>2.4</b>	<b>244.5</b>
Profit for the year	–	–	–	–	–	–	–	110.8	110.8	0.6	111.4
Other comprehensive income for the year	–	–	–	0.9	–	(16.3)	–	(0.5)	(15.9)	(0.3)	(16.2)
Total comprehensive income	–	–	–	0.9	–	(16.3)	–	110.3	94.9	0.3	95.2
Dividends paid in the year	–	–	–	–	–	–	–	(27.8)	(27.8)	(0.7)	(28.5)
Sale of own shares	–	–	–	–	–	–	2.6	(1.1)	1.5	–	1.5
Shares used to meet share award exercises	–	–	–	–	–	–	1.5	(1.5)	–	–	–
Increase in minorities' equity interests	–	–	–	–	–	–	–	–	–	0.2	0.2
Debit arising on share-based payment awards	–	–	–	–	–	–	–	(0.4)	(0.4)	–	(0.4)
<b>Balance at 31 December 2009</b>	<b>53.8</b>	<b>9.9</b>	<b>(1,182.3)</b>	<b>2.3</b>	<b>121.5</b>	<b>7.6</b>	<b>(2.8)</b>	<b>1,300.3</b>	<b>310.3</b>	<b>2.2</b>	<b>312.5</b>
<b>Balance at 1 January 2008</b>	<b>53.2</b>	<b>–</b>	<b>(1,182.3)</b>	<b>0.9</b>	<b>121.5</b>	<b>(4.4)</b>	<b>(20.7)</b>	<b>1,162.1</b>	<b>130.3</b>	<b>2.1</b>	<b>132.4</b>
Profit for the year	–	–	–	–	–	–	–	94.5	94.5	0.5	95.0
Other comprehensive income for the year	–	–	–	0.5	–	28.3	–	0.3	29.1	1.0	30.1
Total comprehensive income	–	–	–	0.5	–	28.3	–	94.8	123.6	1.5	125.1
Issue of share capital	0.6	9.9	–	–	–	–	–	–	10.5	–	10.5
Dividends paid in the year	–	–	–	–	–	–	–	(27.2)	(27.2)	(1.2)	(28.4)
Shares used to meet share award exercises	–	–	–	–	–	–	13.8	(13.8)	–	–	–
Credit arising on share-based payment awards	–	–	–	–	–	–	–	4.9	4.9	–	4.9
<b>Balance at 31 December 2008</b>	<b>53.8</b>	<b>9.9</b>	<b>(1,182.3)</b>	<b>1.4</b>	<b>121.5</b>	<b>23.9</b>	<b>(6.9)</b>	<b>1,220.8</b>	<b>242.1</b>	<b>2.4</b>	<b>244.5</b>

## Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
<b>Net cash from operating activities</b>	31(a)	<b>85.3</b>	136.0
<b>Investing activities</b>			
(Purchase)/sale of other financial assets		(0.8)	0.9
Interest received		5.0	11.5
Dividends from associates		1.9	0.5
Purchase of available-for-sale assets		(0.1)	(0.1)
Purchase of intangible fixed assets		(4.1)	(3.4)
Purchase of property, plant and equipment		(5.2)	(13.2)
Proceeds on disposal of property, plant and equipment		0.2	–
Investment in subsidiaries		(3.4)	(3.8)
<b>Net cash used in investment activities</b>		<b>(6.5)</b>	(7.6)
<b>Financing activities</b>			
Dividends paid	12	(27.8)	(27.2)
Dividends paid to minority interests		(0.7)	(1.0)
Sale of own shares		1.5	–
Repayment of debt		(30.1)	(30.1)
Repayment of obligations under finance leases		(3.7)	(0.3)
Eurobond issue costs		(2.5)	–
Payments relating to net investment hedges		(12.5)	–
Receipts relating to net investment hedges		2.5	–
<b>Net cash used in financing activities</b>		<b>(73.3)</b>	(58.6)
<b>Net increase in cash and cash equivalents</b>		<b>5.5</b>	69.8
<b>Net cash and cash equivalents at the beginning of the year</b>		<b>374.9</b>	262.1
Effect of foreign exchange rate changes		(14.3)	43.0
<b>Net cash and cash equivalents at the end of the year</b>	31(b)	<b>366.1</b>	374.9
Cash and cash equivalents		366.1	375.0
Overdrafts		–	(0.1)
<b>Net cash and cash equivalents</b>	31(b)	<b>366.1</b>	374.9

# Notes to the Consolidated Financial Statements

for the year ended 31 December 2009

## 1. General information

Tullett Prebon plc is a company incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 88. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 24 to 25.

The Group's policy is to maintain a capital base and funding structure that maintains creditor, regulator and market confidence and provides flexibility for business development whilst also optimising returns to shareholders. The Company is subject to an investment firm consolidation waiver under which it is required to monitor its compliance with a financial holding company test which takes into account the Company's shareholders' funds and the aggregated credit risk, market risk and fixed overhead requirements of the Group. A number of the Company's subsidiaries are individually regulated and are required to maintain capital that is appropriate to the risks entailed in their businesses according to definitions that vary according to each jurisdiction. In each case, it is the Group's policy to maintain capital at levels somewhat higher than the minimum required by regulations. The Company and its subsidiaries have been in compliance with all external regulatory capital requirements during the year.

## 2. Basis of preparation

### (a) Basis of accounting

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union and comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. As discussed on page 29 of the Corporate Governance Report the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis continues to be used in preparing these financial statements.

The financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates and are rounded to the nearest hundred thousand (expressed as millions to one decimal place – £m), except where otherwise indicated. The significant accounting policies are set out in Note 3.

### (b) Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All significant inter-company transactions and balances between Group entities are eliminated on consolidation.

### (c) Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted which affected the financial statements:

- IAS 1 (revised 2007) 'Presentation of Financial Statements' requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a Consolidated Statement of Changes in Equity has been included in the primary statements, showing changes in each component of equity for each period presented; and
- Improving Disclosures about Financial Instruments (Amendments to IFRS 7 'Financial Instruments: Disclosures') expands the disclosures required in respect of fair value measurements and liquidity risk and has resulted in the Group presenting additional information on financial asset fair values. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in the amendment.

The following new and revised Standards and Interpretations have been adopted in the current year although their adoption has not had any significant impact on the financial statements:

- IFRS 8 'Operating Segments' requires operating segments to be identified on the basis of internal reports about the components of the Group that are regularly reviewed by Group management to allocate resources to the segments and to assess their performance. The adoption of this standard has not resulted in a change to the operating segments previously reported under IAS 14 'Segment Reporting';
- Amendment to IFRS 2 'Share-Based Payment' relating to vesting conditions and cancellations;

- Amendment to IAS 23 'Borrowing Costs';
- Amendments to IAS 32 'Financial Instruments: Presentation' and IAS 1 'Financial Statements Presentation' regarding puttable financial instruments and obligations arising on liquidation;
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosure' regarding the reclassification of financial instruments;
- Improvements to IFRSs (2008);
- IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'; and
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' regarding the reclassification of financial assets: effective date and transition.

At the date of authorisation of these financial statements, the following EU endorsed Standards and Interpretations were in issue but not yet effective. The Group has not applied these Standards or Interpretations in the preparation of these financial statements:

- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' regarding eligible hedged items;
- Revised IFRS 3 'Business Combinations';
- IFRIC 17 'Distributions of Non-Cash Assets to Owners';
- IFRIC 18 'Transfers of Assets from Customers';
- Amendments to IAS 27 'Consolidated and Separate Financial Statements';
- Amendments to IFRIC 9 and IAS 39 regarding embedded derivatives; and
- Amendment to IAS 32 'Financial Instruments: Presentation' regarding the classification of rights issues.

The following Standards and Interpretations have not been endorsed by the EU and have not been applied in the preparation of these financial statements:

- Revised IAS 24 'Related Party Disclosures';
- Amendments to IFRS 2 'Share-Based Payment' Group cash settled share-based payment transactions;
- Improvements to IFRSs (2009);
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments';
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement'; and
- IFRS 9 'Financial Instruments'.

The impact on the Group's financial statements of the future adoption of these Standards and Interpretations is under review, but the Group does not expect any of these changes to have a material effect on the results or net assets of the Group.

### 3. Summary of significant accounting policies

#### (a) Income recognition

Revenue, which excludes sales taxes, includes gross commissions, brokerage, fees earned and subscriptions for information sales. Fee income is recognised when the related services are completed and the income is considered receivable.

Revenue comprises:

- (i) Name Give-Up brokerage, where counterparties to a transaction settle directly with each other. Invoices are raised monthly for the provision of the service of matching buyers and sellers of financial instruments. Revenue is stated net of sales taxes, rebates and discounts and is recognised in full on trade date;
- (ii) Matched Principal brokerage revenue, being the net of the buy and sell proceeds from counterparties who have simultaneously committed to buy and sell the financial instrument, is recognised on trade date; and
- (iii) Fees earned from the sales of price information from financial and commodity markets to third parties is recognised on an accruals basis.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income from investments is recognised when the Group's right to receive the payment is established.

#### (b) Investment in associates

An associate is an entity over which the Group is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognised.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any discount in the cost of acquisition below the Group's share of the fair value of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited to profit and loss in the year of acquisition.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 3. Summary of significant accounting policies continued

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of impairment of the asset transferred in which case appropriate provision is made for impairment.

#### (c) Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

Joint venture arrangements, which involve the establishment of a separate entity in which each party has an interest, are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation – the Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

#### (d) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary or associate at the date of acquisition. Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts at that date.

Goodwill recognised as an asset is reviewed for impairment at least annually. Any impairment loss is recognised as an expense immediately and is not subsequently reversed. For the purpose of impairment testing goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the goodwill allocated to that unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of any goodwill allocated to the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Goodwill arising on the acquisition of an associate is included within the carrying value of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The interest of minority shareholders in the acquired entity is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

#### (e) Intangible assets

##### *Software and software development costs*

An internally-generated intangible asset arising from the Group's software development is recognised at cost only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development costs of the asset can be measured reliably.

Where the above conditions are not met costs are expensed as incurred.

##### *Acquired separately or from a business combination*

Intangible assets acquired separately are capitalised at cost and intangible assets acquired in a business acquisition are capitalised at fair value at the date of acquisition. The useful lives of these intangible assets are assessed to be either finite or indefinite. Amortisation charged on assets with a finite useful life is taken to the income statement through 'other administrative expenses'.

Other than software development costs, intangible assets created within the business are not capitalised and expenditure is charged to the income statement in the year in which the expenditure is incurred.

Intangible assets are amortised over their finite useful lives generally on a straight-line basis, as follows:

Software – purchased or developed –	up to 5 years
Software licences –	over the period of the licence

Intangible assets are subject to impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

#### (f) Property, plant and equipment

Freehold land is stated at cost. Buildings, furniture, fixtures, equipment and motor vehicles are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight-line basis over its expected useful life as follows:

Furniture, fixtures, equipment and motor vehicles –	3 to 10 years
Short and long leasehold land and buildings –	period of the lease
Freehold land –	infinite
Freehold buildings –	50 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

#### **(g) Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less any cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### **(h) Broker contract signing incentives**

Contract signing incentives paid to brokers are amortised over the lesser of the contract life or recoverable period. Such assets are subject to annual review.

#### **(i) Financial assets and financial liabilities**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are derecognised when all derecognition criteria of IAS 39 are met and the Group no longer controls the contractual rights that comprise the financial instrument. This is normally the case when the instrument is sold, or all of the cash flows attributable to the instrument are passed through to an independent third party.

Financial assets are classified on initial recognition as 'available-for-sale', 'loans and receivables' or 'at fair value through the income statement'. Financial liabilities are classified on initial recognition as either 'at fair value through the income statement' or as 'other financial liabilities'.

#### **Available-for-sale**

The Group's investment in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in other comprehensive income. For equity financial assets, where the fair value cannot be reliably measured, the assets are held at cost less any provision for impairment. These assets are generally expected to be held for the long term and are included in non-current assets. Assets such as holdings in exchanges, cash related instruments and long term equity investments that do not qualify as associates or joint ventures are classified as available-for-sale. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

#### **Loans and receivables**

Loans and receivables are non-derivative financial instruments that have fixed or determinable payments that are not listed in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised using the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Settlement balances, trade receivables, loans and other receivables are classified as 'loans and receivables'.

#### **Fair value through the income statement**

Financial assets and liabilities can be designated at fair value through the income statement where they meet specific criteria set out in IAS39 'Financial Instruments: Recognition and Measurement' or where assets or liabilities are held for trading. Subsequent changes in fair value are recognised directly in the income statement.

#### **Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial assets, other than those at fair value through the income statement, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Impairment is recognised in the income statement.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 3. Summary of significant accounting policies continued

#### (j) Derivative financial instruments

From time to time, the Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to manage its risks associated with interest rate and foreign currency fluctuations. The Group does not use derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of net investments in foreign operations. The Group has not designated any derivatives as hedges of probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

The fair value of forward exchange contracts and interest rate swaps is calculated on a discounted cash flow basis using relevant market data on foreign exchange and interest rates.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

#### (k) Hedge accounting

The Group designates certain derivatives as either 'fair value hedges' or 'hedges of net investments in foreign operations'.

##### *Fair value hedges*

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The changes in the fair value of the hedging instrument and the changes in the hedged item attributable to the hedged risk are recognised in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

##### *Net investment hedges*

The effective portion of changes in the fair value of derivatives that are designated and qualify as net investment hedges is recognised in the hedging and translation reserve in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in financial income or financial expense respectively.

Gains and losses deferred in the hedging and translation reserve are recognised in profit or loss on disposal of the foreign operation.

#### (l) Settlement balances

Certain Group companies engage in Matched Principal brokerage whereby securities are bought from one counterparty and simultaneously sold to another counterparty. Settlement of such transactions typically takes place within a few business days of the transaction date according to the relevant market rules and conventions. The amounts due from and payable to counterparties in respect of as yet unsettled Matched Principal transactions are shown gross.

#### (m) Securities borrowing

Securities are borrowed in the ordinary course of business. All borrowing is collateralised and such collateral is included in settlement balances.

#### (n) Cash and cash equivalents

Cash comprises cash in hand and demand deposits which may be accessed without penalty. Cash equivalents comprise short term highly liquid investments with a maturity of less than three months from the date of acquisition. For the purposes of the Consolidated Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### (o) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value, being the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs and any discounts or premium on settlement. Gains and losses are recognised in the income statement when the liabilities are derecognised, as well as through the amortisation process.

#### (p) Client money

Client money to settle transaction bargains is held separately and included in the Group's balance sheet. The net return received on managing client money is included within interest.

#### (q) Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive as a result of a past event where it is probable that this will result in an outflow of economic benefits that can be reasonably estimated.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring, which has been notified to affected parties.

**(r) Foreign currencies**

The individual financial statements of each Group company are prepared in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. Gains and losses arising from the settlement of these transactions, and from the retranslation of monetary assets and liabilities denominated in currencies other than the functional currency at rates prevailing at the balance sheet date, are recognised in the income statement. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at historical cost or fair value, are translated at the exchange rate at the date of the transaction or at the date the fair value was determined.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Exchange differences arising are classified as other comprehensive income and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expense in the year in which the operation is disposed of. Income and expense items are translated at average exchange rates for the year.

**(s) Taxation**

The tax expense represents the sum of tax currently payable and movements in deferred tax.

The tax currently payable is based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable in respect of prior years.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences may be utilised. Temporary differences are not recognised if they arise from goodwill or from initial recognition of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled or when the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

**(t) Leases**

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**(u) Retirement benefit costs**

Defined contributions made to employees' personal pension plans are charged to the income statement as and when incurred.

For defined benefit retirement benefit plans, the cost of providing the benefits is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the year in which they occur. They are recognised outside the income statement and are presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits have already vested, and is otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for actuarial gains and losses and past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 3. Summary of significant accounting policies continued

#### (v) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The fair value of share options issued is determined using appropriate valuation models. The expected life used in the models has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The estimated fair value of shares granted is based on the share price at grant date, reduced where shares do not qualify for dividends during the vesting period. Market based performance conditions for equity-settled payments are reflected in the initial fair value of the award.

#### (w) Equity instruments

Equity instruments issued by the Company are recorded at the value of proceeds received, net of direct issue costs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### (x) Treasury shares

Where share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When treasury shares are sold or re-issued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

#### (y) Accounting estimates and judgements

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period an estimate is revised. Significant judgement and estimates are necessary in the application of the following accounting policies:

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires estimation of future cash flows expected to arise and a suitable discount rate in order to calculate the present value.

#### *Taxation*

In arriving at the current and deferred tax liability the Group has taken account of tax issues that are subject to ongoing discussions with the relevant tax authorities. Liabilities have been calculated based on management's assessment of relevant information and advice. Where outcomes differ from the amounts initially recorded, such differences impact current and deferred tax amounts in the period the outcome is determined.

#### 4. Segmental analysis

##### Products and services from which reportable segments derive their revenues

The Group is organised by geographic reporting segments which are used for the purposes of resource allocation and assessment of segmental performance by Group management. These are the Group's reportable segments under IFRS 8 'Operating Segments'.

Each geographic reportable segment derives revenue from Treasury Products, Interest Rate Derivatives, Fixed Income, Equities, Energy and Information Sales.

Information regarding the Group's operating segments is reported below:

##### Analysis by geographical segment

	2009 £m	2008 £m
<b>Revenue</b>		
Europe	542.6	504.1
North America	318.0	339.6
Asia Pacific	87.1	99.9
	<b>947.7</b>	943.6
<b>Operating profit</b>		
Europe	123.2	108.1
North America	44.4	57.8
Asia Pacific	3.2	9.2
<b>Operating profit before exceptional items</b>	<b>170.8</b>	175.1
Exceptional items (note 6)	–	(19.5)
<b>Reported operating profit</b>	<b>170.8</b>	155.6
Finance income	20.2	24.8
Finance costs	(34.5)	(43.4)
<b>Profit before tax</b>	<b>156.5</b>	137.0
Taxation	(46.9)	(43.3)
<b>Profit of consolidated companies</b>	<b>109.6</b>	93.7
Share of results of associates	1.8	1.3
<b>Profit for the year</b>	<b>111.4</b>	95.0

There are no inter-segment sales included in segment revenue.

##### Other segmental information

	2009 £m	2008 £m
<b>Capital additions</b>		
Europe	3.9	10.4
North America	5.1	5.6
Asia Pacific	0.6	0.9
	<b>9.6</b>	16.9
<b>Depreciation and amortisation</b>		
Europe	4.4	4.5
North America	2.8	2.5
Asia Pacific	1.0	0.8
	<b>8.2</b>	7.8

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 4. Segmental analysis continued

	2009 £m	2008 £m
<b>Share-based compensation</b>		
Europe	(0.2)	4.3
North America	(0.2)	0.5
Asia Pacific	–	0.1
	<b>(0.4)</b>	<b>4.9</b>
<b>Segment assets</b>		
Europe	<b>2,090.7</b>	1,905.7
North America	<b>4,437.0</b>	12,431.9
Asia Pacific	<b>62.0</b>	67.1
	<b>6,589.7</b>	<b>14,404.7</b>
<b>Segment liabilities</b>		
Europe	<b>1,934.6</b>	1,798.2
North America	<b>4,296.0</b>	12,305.4
Asia Pacific	<b>46.6</b>	56.6
	<b>6,277.2</b>	<b>14,160.2</b>

Segment assets and liabilities exclude all inter-segment balances.

### Analysis by product group

	2009 £m	2008 £m
<b>Revenue</b>		
Treasury Products	<b>238.9</b>	246.1
Interest Rate Derivatives	<b>192.0</b>	220.9
Fixed Income	<b>317.1</b>	282.1
Equities	<b>74.0</b>	94.2
Energy	<b>100.6</b>	81.5
Information Sales and Risk Management Services	<b>25.1</b>	18.8
	<b>947.7</b>	<b>943.6</b>

### 5. Other operating income

Other operating income represents receipts such as rental income, royalties, insurance proceeds, settlements from competitors, profit on asset disposals and business relocation grants. Costs associated with such items are included in administrative expenses.



## 6. Administrative expenses

Profit for the year has been arrived at after charging:

	2009 £m	2008 £m
Depreciation of property, plant and equipment (note 15)	6.1	6.5
Amortisation of intangible assets (note 14)	2.1	1.3
Staff costs excluding those reported as exceptional items (note 7)	617.9	620.0
Loss recognised on available-for-sale unlisted investments (note 26(f))	0.7	–
Auditors' remuneration for audit services (see below)	1.9	1.9
Exceptional items	–	19.5

The exceptional items in 2008 reflected the cost of actions taken to reduce operating costs, including the costs of desk closures, redundancies and the write down of sign-on payments which were considered to be impaired.

The analysis of auditors' remuneration is as follows:

	2009 £000	2008 £000
Audit of the Group's annual accounts	310	310
Audit of the Company's subsidiaries pursuant to legislation	1,590	1,590
Total audit fees	1,900	1,900
Other services pursuant to legislation	18	18
Tax services	131	191
Recruitment and remuneration services	5	–
Corporate finance services	5	171
Total non-audit fees	159	380
Audit fees payable to the Company's auditors and their associates in respect of associated pension schemes	9	8

## 7. Staff costs

The average monthly number of employees and directors of the Group was:

	2009 No.	2008 No.
Europe	1,127	1,139
North America	786	868
Asia Pacific	532	554
	2,445	2,561

The aggregate employment costs of staff and directors were:

	2009 £m	2008 £m
Wages, salaries, bonuses and incentive payments	566.3	584.6
Social security costs	46.9	44.4
Pension costs (note 35)	5.1	5.3
Share-based compensation (credit)/debit	(0.4)	4.9
	617.9	639.2
Employment costs included within exceptional items	–	(19.2)
	617.9	620.0

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 8. Finance income

	2009 £m	2008 £m
Interest receivable and similar income	3.4	11.5
Fair value gain on derivative instruments	9.0	4.6
Expected return on pension schemes' assets	6.5	8.7
Amortisation of discount on deferred consideration	1.3	–
	<b>20.2</b>	<b>24.8</b>

### 9. Finance costs

	2009 £m	2008 £m
Interest payable on bank loans	4.6	17.2
Interest payable on Eurobond	11.5	12.4
Other interest payable	0.2	0.3
Amortisation of debt issue costs	0.9	1.4
Total borrowing costs	17.2	31.3
Amortisation of discount on deferred consideration	–	0.5
Fair value loss on derivative instruments	10.3	4.5
Interest cost on pension schemes' liabilities	7.0	7.1
	<b>34.5</b>	<b>43.4</b>

### 10. Taxation

	2009 £m	2008 £m
<b>Current tax:</b>		
UK corporation tax	33.4	26.2
Double tax relief	(1.2)	(1.6)
	<b>32.2</b>	<b>24.6</b>
Overseas tax	9.8	25.7
Prior year UK corporation tax	(0.4)	(3.1)
Prior year overseas tax	(6.2)	(3.6)
	<b>35.4</b>	<b>43.6</b>
<b>Deferred tax:</b> (note 18)		
Current year	10.8	0.3
Prior year	0.7	(0.6)
	<b>11.5</b>	<b>(0.3)</b>
<b>Tax charge for the year</b>	<b>46.9</b>	<b>43.3</b>

The charge for the year can be reconciled to the profit per the income statement as follows:

	2009		2008	
	£m	%	£m	%
Profit before tax:	156.5		137.0	
Tax based on the UK corporation tax rate of 28.0% (2008: 28.5%)	43.8	28.0	39.0	28.5
Tax effect of expenses that are not deductible	8.4	5.4	9.5	6.9
Less: Tax effect of non-taxable income	(4.9)	(3.2)	(6.8)	(5.0)
Less: Tax effect of stock options	(0.5)	(0.3)	0.8	0.6
Effect of non-UK tax rates	6.3	4.0	8.3	6.0
Unrelieved/unrecognised losses	(0.2)	(0.1)	(0.1)	(0.1)
Prior year tax	(5.9)	(3.8)	(7.3)	(5.3)
Other	(0.1)	–	(0.1)	–
<b>Tax charge and effective tax rate for the year</b>	<b>46.9</b>	<b>30.0</b>	<b>43.3</b>	<b>31.6</b>

In addition to the income statement, the following current and deferred tax items have been included in other comprehensive income:

	2009 £m	2008 £m
<b>Current tax:</b>		
Share options	(0.2)	2.8
Exchange (gains)/losses on net investment loans	(1.2)	2.6
Net investment hedge	(0.7)	4.8
	(2.1)	10.2
<b>Deferred tax:</b>		
Defined benefit pension schemes	0.2	2.7
Share options	–	(3.1)
Other	–	(0.1)
	0.2	(0.5)
<b>Tax (charge) / credit on items taken directly to other comprehensive income</b>	<b>(1.9)</b>	<b>9.7</b>

## 11. Earnings per share

	2009 P	2008 P
Adjusted basic	49.2	47.1
Basic	51.8	44.4
Diluted	51.2	44.0

The calculation of basic and diluted earnings per share is based on the following number of shares in issue:

	2009 No. (m)	2008 No. (m)
Weighted average shares in issue used for calculating basic and adjusted basic earnings per share	213.9	212.8
Contingently issuable shares	1.8	0.6
Issuable on exercise of options	0.7	1.3
Diluted weighted average shares in issue	216.4	214.7

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 11. Earnings per share continued

The earnings used in the calculation of adjusted, basic and diluted earnings per share, are as described below:

	2009 £m	2008 £m
Earnings	111.4	95.0
Minority interests	(0.6)	(0.5)
<b>Earnings for calculating basic and diluted earnings per share</b>	<b>110.8</b>	94.5
Exceptional items	–	19.5
Expected return on pension schemes' assets	(6.5)	(8.7)
Interest cost on pension schemes' liabilities	7.0	7.1
Amortisation of discount on deferred consideration	(1.3)	0.5
Fair value movement on derivative financial instruments	1.3	–
Tax on above items	(0.2)	(5.4)
Prior year tax	(5.9)	(7.3)
<b>Adjusted earnings for calculating adjusted basic earnings per share</b>	<b>105.2</b>	100.2

### 12. Dividends

	2009 £m	2008 £m
<b>Amounts recognised as distributions to equity holders in the year:</b>		
Interim dividend for the year ended 31 December 2009 of 5.0p per share	10.7	–
Final dividend for the year ended 31 December 2008 of 8.0p per share	17.1	–
Interim dividend for the year ended 31 December 2008 of 4.75p per share	–	10.2
Final dividend for the year ended 31 December 2007 of 8.0p per share	–	17.0
	<b>27.8</b>	27.2

In respect of the current year, the directors propose that the final dividend of 10.0p per share amounting to £21.4m will be paid on 20 May 2010 to all shareholders on the Register of Members on 30 April 2010. This dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

The trustees of the Tullett Prebon plc Employee Share Ownership Trust and the trustees of Tullett Prebon plc Employee Benefit Trust 2007 have waived their rights to dividends.

### 13. Goodwill

	2009 £m	2008 £m
<b>Cost</b>		
At 1 January	394.9	363.1
Recognised on acquisition	–	22.2
Adjustments relating to deferred consideration	(8.3)	(6.4)
Effect of movements in exchange rates	(5.9)	16.0
At 31 December	<b>380.7</b>	394.9
<b>Accumulated amortisation</b>		
At 1 January and 31 December	(7.2)	(7.2)
<b>Carrying amount at 31 December</b>	<b>373.5</b>	387.7

Goodwill arising through business combinations has been allocated to individual cash-generating units ('CGUs') for impairment testing as follows:

	2009 £m	2008 £m
Europe	193.4	192.6
North America	160.8	175.8
Asia Pacific	19.3	19.3
	373.5	387.7

The recoverable amount of goodwill allocated to each of the CGUs is based on value in use calculations, using cash flow projections discounted at a pre-tax discount rate of 11.5% (2008: 11.5%). The future cash flow projections are based on approved financial budgets. Average growth rates used to estimate cash flows after the budgeted period are limited to the expected growth rates of each region. Expected regional growth rates are based on the regions' constituent country growth rates as published by the World Bank, averaged over a 30 year period.

The calculations of value in use have been subject to stress tests demonstrating that the impairment test results are tolerant to reasonably possible changes in assumptions as to discount rate and future cash flows.

#### 14. Other intangible assets

	Purchased software £m	Developed software £m	Total £m
<b>Cost</b>			
<b>At 1 January 2009</b>	<b>7.4</b>	<b>6.3</b>	<b>13.7</b>
Additions	2.1	2.0	4.1
Disposals	(0.1)	–	(0.1)
Effect of movements in exchange rates	(0.3)	(1.0)	(1.3)
<b>At 31 December 2009</b>	<b>9.1</b>	<b>7.3</b>	<b>16.4</b>
<b>Amortisation</b>			
<b>At 1 January 2009</b>	<b>(4.5)</b>	<b>(3.4)</b>	<b>(7.9)</b>
Charge for the year	(1.3)	(0.8)	(2.1)
Disposals	0.1	–	0.1
Effect of movements in exchange rates	0.3	0.6	0.9
<b>At 31 December 2009</b>	<b>(5.4)</b>	<b>(3.6)</b>	<b>(9.0)</b>
<b>Carrying amount</b>			
<b>At 31 December 2009</b>	<b>3.7</b>	<b>3.7</b>	<b>7.4</b>
<b>Cost</b>			
At 1 January 2008	4.5	3.0	7.5
Additions	2.5	0.9	3.4
Disposals	(1.0)	–	(1.0)
Effect of movements in exchange rates	1.4	2.4	3.8
At 31 December 2008	7.4	6.3	13.7
<b>Amortisation</b>			
At 1 January 2008	(3.4)	(1.3)	(4.7)
Charge for the year	(0.8)	(0.5)	(1.3)
Disposals	1.0	–	1.0
Effect of movements in exchange rates	(1.3)	(1.6)	(2.9)
At 31 December 2008	(4.5)	(3.4)	(7.9)
<b>Carrying amount</b>			
At 31 December 2008	2.9	2.9	5.8

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 15. Property, plant and equipment

	Land, buildings, and leasehold improvements £m	Furniture, fixtures, equipment and motor vehicles £m	Total £m
<b>Cost</b>			
<b>At 1 January 2009</b>	<b>26.4</b>	<b>32.9</b>	<b>59.3</b>
Additions	2.4	3.1	5.5
Effect of movements in exchange rates	(1.5)	(2.7)	(4.2)
Disposals	–	(0.9)	(0.9)
<b>At 31 December 2009</b>	<b>27.3</b>	<b>32.4</b>	<b>59.7</b>
<b>Accumulated depreciation</b>			
<b>At 1 January 2009</b>	<b>(9.9)</b>	<b>(21.8)</b>	<b>(31.7)</b>
Charge for the year	(1.9)	(4.2)	(6.1)
Effect of movements in exchange rates	0.7	2.3	3.0
Disposals	–	0.7	0.7
<b>At 31 December 2009</b>	<b>(11.1)</b>	<b>(23.0)</b>	<b>(34.1)</b>
<b>Carrying amount</b>			
<b>At 31 December 2009</b>	<b>16.2</b>	<b>9.4</b>	<b>25.6</b>
<b>Cost</b>			
At 1 January 2008	14.2	14.6	28.8
Additions	9.1	4.4	13.5
Effect of movements in exchange rates	4.5	16.4	20.9
Recognised on acquisition	–	0.2	0.2
Disposals	(1.4)	(2.7)	(4.1)
At 31 December 2008	26.4	32.9	59.3
<b>Accumulated depreciation</b>			
At 1 January 2008	(4.6)	(5.5)	(10.1)
Charge for the year	(2.5)	(4.0)	(6.5)
Effect of movements in exchange rates	(2.8)	(14.3)	(17.1)
Disposals	–	2.0	2.0
At 31 December 2008	(9.9)	(21.8)	(31.7)
<b>Carrying amount</b>			
At 31 December 2008	16.5	11.1	27.6

The carrying amount of the Group's property, plant and equipment includes an amount of £0.5m (2008: £3.3m) in respect of assets held under finance leases.

**16. Interest in associates**

	2009 £m	2008 £m
Carrying amount of investment in associates	3.5	3.5
Aggregated amounts relating to associates:		
Total assets	10.0	12.2
Total liabilities	(2.2)	(4.1)
Net assets	7.8	8.1
Revenues	13.0	11.3
Profit for the year	3.1	2.2

A list of the significant investments in associates, including the name, country of incorporation and proportion of ownership interest is given in note 38.

**17. Other financial assets**

	2009 £m	2008 £m
<b>Non-current</b>		
Available-for-sale assets		
– unlisted	3.1	4.0
– listed	1.7	0.7
	4.8	4.7

Non-current available-for-sale assets principally comprise equity securities that present the Group with opportunity for return through dividend income and capital gains. They have no fixed maturity or coupon rate. The fair value of unlisted securities is based on cost less any provision for impairment.

	2009 £m	2008 £m
<b>Current</b>		
Short term government securities	1.5	1.5
Term deposits	28.6	28.7
	30.1	30.2

Current other financial assets comprise liquid funds held on deposit with clearing organisations.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 18. Deferred tax

	2009 £m	2008 £m
Deferred tax assets	13.7	18.0
Deferred tax liabilities	(8.1)	(0.6)
	5.6	17.4

The movement for the year in the Group's net deferred tax position was as follows:

	2009 £m	2008 £m
At 1 January	17.4	14.7
(Charge)/credit to income for the year	(11.5)	0.3
Credit/(charge) to other comprehensive income for the year	0.2	(0.5)
Recognised on acquisition	–	1.2
Effect of movements in exchange rates	(0.5)	1.7
At 31 December	5.6	17.4

Deferred tax balances and movements thereon are analysed as:

	At 1 January 2009 £m	Recognised in profit or loss £m	Recognised in other comprehensive income £m	Effect of movements in exchange rates £m	At 31 December 2009 £m
Share options	0.7	0.2	–	–	0.9
Pensions	2.7	(1.0)	0.2	(0.1)	1.8
Other timing differences	14.0	(10.7)	–	(0.4)	2.9
	17.4	(11.5)	0.2	(0.5)	5.6

At the balance sheet date, the Group has a potential tax benefit from unused tax losses of £6.5m (2008: £5.6m) available for offset against future profits. No deferred tax asset has been recognised in 2009 (2008: £nil) due to the unpredictability of future profit streams against which the losses would be utilised.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which a deferred tax liability has not been recognised was £nil (2008: £nil). No liability has been recognised in either year.

### 19. Trade and other receivables

	2009 £m	2008 £m
Trade receivables	73.8	91.6
Settlement balances	5,638.0	13,414.1
Financial assets	5,711.8	13,505.7
Other debtors	8.8	11.9
Prepayments and accrued income	39.9	28.8
Corporation tax	4.4	0.9
Owed by associates and related parties	0.1	0.3
	5,765.0	13,547.6

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

The table below shows the ageing of trade receivables:

	2009 £m	2008 £m
Less than 30 days (not yet due)	54.9	57.8
Between 30 and 60 days	11.2	18.4
Between 60 and 90 days	4.5	9.7
Greater than 90 days	3.2	5.7
Total past due	18.9	33.8
Trade receivables	73.8	91.6

Trade receivables are shown net of a provision of £1.6m (2008: £2.6m) against certain trade receivables due after 90 days.

The table below shows the ageing of settlement balances:

	2009 £m	2008 £m
Amounts not yet due	5,522.0	13,346.5
Less than 30 days	113.6	64.2
Between 30 and 60 days	0.6	2.5
Between 60 and 90 days	1.8	0.1
Greater than 90 days	–	0.8
Total past due	116.0	67.6
Settlement balances	5,638.0	13,414.1

Settlement balances arise on Matched Principal brokerage whereby securities are bought from one counterparty and simultaneously sold to another counterparty. The above analysis reflects only the receivable side of such transactions. Corresponding payable amounts are shown in 'Trade and other payables'.

## 20. Trade and other payables

	2009 £m	2008 £m
Settlement balances	5,637.6	13,413.4
Trade payables	5.3	6.7
Financial liabilities	5,642.9	13,420.1
Tax and social security	28.2	27.1
Other creditors	6.2	2.2
Accruals and deferred income	147.1	198.4
Owed to related parties	1.1	0.7
	5,825.5	13,648.5

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 21. Interest bearing loans and borrowings

	Less than one year £m	Greater than one year £m	Total £m
<b>2009</b>			
Obligations under finance leases	0.2	0.3	<b>0.5</b>
Eurobond due 2014	–	8.8	<b>8.8</b>
Eurobond due 2016	–	138.8	<b>138.8</b>
Bank loan	30.0	209.1	<b>239.1</b>
	<b>30.2</b>	<b>357.0</b>	<b>387.2</b>
<b>2008</b>			
Obligations under finance leases	0.5	3.7	4.2
Bank overdrafts	0.1	–	0.1
Eurobond due 2014	–	149.8	149.8
Bank loan	30.0	238.5	268.5
	<b>30.6</b>	<b>392.0</b>	<b>422.6</b>

All amounts are denominated in sterling with the exception of the obligations under finance leases which are denominated in Euros.

An analysis of borrowings by maturity has been disclosed in note 26.

#### **Eurobond: Due 6 July 2016**

On 6 July 2009 holders of £141,144,000 of the Group's £150,000,000 8.25% Step-up Coupon Subordinated Notes due 12 August 2014 exchanged their holdings for £141,144,000 7.04% Guaranteed Notes due 6 July 2016.

At 31 December 2009, the carrying value of the Eurobond due 2016, together with unamortised transaction costs, amounted to £138.8m.

As at 31 December 2009 the fair value of the Eurobond due 2016 was £129.2m.

#### **Eurobond: Due 12 August 2014**

Following the note exchange on 6 July 2009, £8,856,000 of the 8.25% Step-up Coupon Subordinated Notes due 12 August 2014 remained outstanding. These notes are unsecured and are callable by Tullett Prebon Group Holdings plc at any time after 12 August 2009 ('the Call Date'). At the Call Date the coupon was reset to 6.52%, calculated as 3.5% over the gross redemption yield of a gilt with a comparable maturity date. In October 2009, £86,000 of bonds were repurchased resulting in £8,770,000 remaining outstanding as at 31 December 2009.

At 31 December 2009, the carrying value of the Eurobond due 2014, together with unamortised transaction costs and fair value adjustments, amounted to £8.8m.

As at 31 December 2009 the fair value of the Eurobond due 2014 was £6.6m. The fair value of the £150m Eurobond due 2014 as at 31 December 2008 was £104.6m.

#### **Bank Loan and Credit Facility**

The Group has a banking facility until 30 January 2012 consisting of a £300m amortising term loan and a £50m committed revolving credit facility. The £300m term loan was drawn on 19 March 2007 and is subject to repayments of £30m in each year until and including 2011 with the remaining £180m repayable in January 2012. The revolving credit facility was undrawn as at 31 December 2009. The average effective interest rate on the bank loan was 2.1% during 2009 (2008: 6.5%).

As at 31 December 2009 the carrying value of the loan approximated to the fair value.

## 22. Derivative financial instruments

### Cross currency interest rate swap and forward foreign exchange contract

The Group's cross currency interest rate swap, under which it received fixed rate interest of 8.25% and paid variable interest rate equal to US LIBOR plus 2.69% matured in August 2009. The notional amount of the swap was £64.2m with an exchange of principal of US\$117m.

Until October 2008 the swap was designated and effective as a fair value hedge of £64.2m of the £150m Eurobond and as a net investment hedge of US\$117m of dollar denominated net assets. In October 2008 the swap was de-designated as a net investment hedge and fair value hedge.

A forward foreign exchange contract was entered into in October 2008 to offset the foreign exchange position inherent in the swap. This matured in August 2009.

Fair value gains or losses on the swap since de-designation and fair value gains or losses on the forward foreign exchange contract are included in the income statement. In 2009 a £9.0m fair value gain on the swap was recognised in the income statement (2008: loss £4.5m) and a fair value loss of £10.3m recognised on the forward foreign exchange contract (2008: gain £4.6m).

At 31 December 2008, the fair value of the swap was a liability of £14.3m and the fair value of the forward foreign exchange contract was an asset of £4.6m.

### Net investment hedge

In March 2009 the Group entered into forward foreign exchange contracts amounting to US\$50m which were designated as net investment hedges of US\$50m of dollar denominated net assets. The forward exchange contracts matured in September 2009, resulting in a gain of £2.5m being recorded in other comprehensive income.

## 23. Obligations under finance leases

	Minimum lease payments		Present value of lease payments	
	2009 £m	2008 £m	2009 £m	2008 £m
<b>Amounts payable under finance leases:</b>				
Within one year	0.2	0.8	0.2	0.5
In the second to fifth years inclusive	0.4	2.1	0.3	1.2
After five years	–	2.5	–	2.5
	0.6	5.4	0.5	4.2
Less: future finance charges	(0.1)	(1.2)		
Present value of lease payments	0.5	4.2		
Less: amount due for settlement within 12 months (shown under current liabilities)			(0.2)	(0.5)
Amount due for settlement after 12 months			0.3	3.7

The Group leases certain items of property, plant and equipment under finance leases. The average lease term is 3-4 years (2008: 3-4 years). For 2009 the average effective borrowing rate was 7.7% (2008: 7.0%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates to the carrying amount.

The Group's obligations under finance leases are secured by a lessor's charge over the leased assets.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 24. Provisions

	Onerous leases £m	Building dilapidations £m	Other £m	Total £m
<b>At 1 January 2009</b>	<b>3.6</b>	<b>1.9</b>	<b>6.4</b>	<b>11.9</b>
Charge to income	–	0.2	0.1	0.3
Utilisation of provision	(2.0)	–	(0.1)	(2.1)
Effect of movements in exchange rates	(0.2)	–	(0.6)	(0.8)
<b>At 31 December 2009</b>	<b>1.4</b>	<b>2.1</b>	<b>5.8</b>	<b>9.3</b>
At 1 January 2008	8.6	1.3	4.8	14.7
Charge to income	0.7	0.5	–	1.2
Utilisation of provision	(6.5)	–	(0.1)	(6.6)
Effect of movements in exchange rates	0.8	0.1	1.7	2.6
At 31 December 2008	3.6	1.9	6.4	11.9
			<b>2009 £m</b>	<b>2008 £m</b>
Included in current liabilities			<b>1.5</b>	2.2
Included in non-current liabilities			<b>7.8</b>	9.7
			<b>9.3</b>	11.9

#### Onerous leases

The onerous lease provision represents the net present value of the future rental cost net of expected sub-lease income. The leases expire in one to five years.

#### Building dilapidations

The building dilapidations provision represents the estimated cost of making good the dilapidations and disrepair on various leasehold buildings. The leases expire in one to ten years.

### 25. Other long term payables

	2009 £m	2008 £m
Other creditors	<b>4.4</b>	4.2
Deferred consideration	<b>4.7</b>	20.7
	<b>9.1</b>	24.9

Other creditors consist of the USA SERP 'C' scheme liability and deferred rent. These amounts are held at cost which approximates to fair value. The deferred consideration as at 31 December 2009 relates to the acquisitions of Primex and Aspen and is held at the discounted value of estimated future obligations.

## 26. Financial instruments

The following analysis should be read in conjunction with the information on risk management included in the Group's Business Review on pages 15 to 18.

### (a) Categorisation of financial assets and liabilities

Financial assets 2009	Available- for-sale assets £m	Loans and receivables £m	Derivatives held at fair value through profit or loss £m	Total £m
Other financial assets (non-current)	4.8	–	–	<b>4.8</b>
Other financial assets (current)	1.5	28.6	–	<b>30.1</b>
Cash and cash equivalents	–	366.1	–	<b>366.1</b>
Trade receivables	–	73.8	–	<b>73.8</b>
Settlement balances	–	5,638.0	–	<b>5,638.0</b>
	<b>6.3</b>	<b>6,106.5</b>	<b>–</b>	<b>6,112.8</b>

2008				
Other financial assets (non-current)	4.7	–	–	4.7
Other financial assets (current)	1.5	28.7	–	30.2
Cash and cash equivalents	–	375.0	–	375.0
Derivative financial instruments	–	–	4.6	4.6
Trade receivables	–	91.6	–	91.6
Settlement balances	–	13,414.1	–	13,414.1
	<b>6.2</b>	<b>13,909.4</b>	<b>4.6</b>	<b>13,920.2</b>

Financial liabilities 2009	Financial liabilities at amortised cost £m	Derivatives held at fair value through profit or loss £m	Total £m
Eurobonds	147.6	–	<b>147.6</b>
Bank loan	239.1	–	<b>239.1</b>
Finance leases	0.5	–	<b>0.5</b>
Trade payables	5.3	–	<b>5.3</b>
Settlement balances	5,637.6	–	<b>5,637.6</b>
	<b>6,030.1</b>	<b>–</b>	<b>6,030.1</b>

2008			
Bank overdrafts	0.1	–	0.1
Eurobond	149.8	–	149.8
Bank loan	268.5	–	268.5
Derivative financial instruments	–	14.3	14.3
Finance leases	4.2	–	4.2
Trade payables	6.7	–	6.7
Settlement balances	13,413.4	–	13,413.4
	<b>13,842.7</b>	<b>14.3</b>	<b>13,857.0</b>

### (b) Credit risk analysis

The table on the following page presents an analysis by rating agency designation of cash and cash equivalents, financial assets, trade receivables and settlement balances based on Standard and Poor's ratings or their equivalent.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 26. Financial instruments continued

	Cash and cash equivalents and other current financial assets		Trade receivables		Settlement balances	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
AAA to AA+	27.9	51.8	1.1	6.7	687.7	55.9
AA to A-	367.0	351.7	56.8	71.4	4,412.0	12,937.2
BBB+ to BBB-	0.2	0.2	6.5	1.9	206.6	53.9
BB+ to B-	0.1	0.5	0.4	0.9	3.5	84.9
Unrated	1.0	1.0	10.6	13.3	328.2	282.2
<b>Total</b>	<b>396.2</b>	<b>405.2</b>	<b>75.4</b>	<b>94.2</b>	<b>5,638.0</b>	<b>13,414.1</b>
Provision for doubtful debts	–	–	(1.6)	(2.6)	–	–
	<b>396.2</b>	<b>405.2</b>	<b>73.8</b>	<b>91.6</b>	<b>5,638.0</b>	<b>13,414.1</b>

£1.6m (2008: £1.5m) of other non-current financial assets are rated AAA to AA+ and £3.2m (2008: £3.2m) are unrated.

The carrying value of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. None of the Group's financial assets are secured by collateral or other credit enhancements.

In respect of trade receivables, the Group is not exposed to significant credit risk to a single counterparty or any group of counterparties.

Matched Principal brokerage transactions, whereby securities are bought from one counterparty and sold to another counterparty, are settled on a delivery versus payment basis. The above analysis reflects only the receivable side of such transactions, the other side being shown in trade and other payables. Settlement of such transactions typically takes place within a few business days according to the relevant market rules and conventions and the settlement risk is considered to be minimal.

#### (c) Maturity profile of financial liabilities

The table below reflects the contractual maturities, including future interest obligations, of the Group's financial liabilities as at 31 December:

	Repayable on demand £m	Due within 3 months £m	Due between 3 months and 12 months £m	Due between 1 year and 5 years £m	Due after 5 years £m	Total £m
<b>2009</b>						
Settlement balances	108.6	5,529.0	–	–	–	<b>5,637.6</b>
Trade payables	4.3	1.0	–	–	–	<b>5.3</b>
Obligations under finance leases	–	–	0.2	0.4	–	<b>0.6</b>
Eurobonds	–	–	10.5	50.8	161.0	<b>222.3</b>
Bank loan	–	30.7	2.5	216.8	–	<b>250.0</b>
	<b>112.9</b>	<b>5,560.7</b>	<b>13.2</b>	<b>268.0</b>	<b>161.0</b>	<b>6,115.8</b>

	Repayable on demand £m	Due within 3 months £m	Due between 3 months and 12 months £m	Due between 1 year and 5 years £m	Due after 5 years £m	Total £m
<b>2008</b>						
Settlement balances	32.9	13,380.5	–	–	–	13,413.4
Trade payables	4.2	2.2	0.3	–	–	6.7
Obligations under finance leases	–	–	0.8	2.1	2.5	5.4
Bank overdrafts	0.1	–	–	–	–	0.1
Derivative financial instruments	–	1.2	13.9	–	–	15.1
Eurobond	–	–	12.4	196.9	–	209.3
Bank loan	–	32.1	6.5	254.9	–	293.5
	<b>37.2</b>	<b>13,416.0</b>	<b>33.9</b>	<b>453.9</b>	<b>2.5</b>	<b>13,943.5</b>



**(d) Foreign currency sensitivity analysis**

The table below illustrates the sensitivity of the profit for the year with regards to currency movements on financial assets and liabilities denominated in foreign currencies as at the year end. Prior to de-designating the cross currency interest rate swap as a net investment hedge, movements in the cross currency interest rate swap due to changes in exchange rates were recorded in other comprehensive income. Following de-designation until maturity, such movements were reflected in profit or loss. Movements in the US\$117m forward foreign exchange contract were reflected in profit or loss. The retranslation of net investment in foreign currencies is excluded from the following table.

Based on a 5% weakening in the US dollar and Euro exchange rates against sterling, the effect on profit for the year would be as follows:

	2009		2008	
	USD £m	EUR £m	USD £m	EUR £m
Change in profit for the year	(0.9)	(0.8)	(0.8)	(1.3)

The Group would experience an equal and opposite foreign exchange gain should sterling weaken against the US dollar and Euro.

**(e) Interest rate sensitivity analysis**

Interest on floating rate financial instruments is reset at intervals of less than one year. The Group's exposure to interest rates arises on cash and cash equivalents, money market instruments, bank overdrafts and the bank loan. The Eurobonds and the obligations under finance leases are fixed rate financial instruments.

A 100 basis point increase in interest rates, applied to average floating rate financial instrument assets and liabilities during the year, would result in the following impact on profit or loss:

	2009 £m	2008 £m
<b>100 basis point increase in interest rates</b>		
– floating rate assets	3.5	3.0
– floating rate liabilities	(2.4)	(2.9)
Net impact on profit for the year	1.1	0.1

The Group would experience an equal and opposite impact on profit should interest rates reduce by 100 basis points.

**(f) Fair value measurements recognised in the statement of financial position**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2009	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Available-for-sale financial assets</b>				
Non-current other financial assets				
– unlisted	–	–	3.1	3.1
– listed	1.7	–	–	1.7
Current other financial assets				
– short-term government securities	1.5	–	–	1.5
	3.2	–	3.1	6.3

There were no transfers between Level 1 and 2 during the year.

## Notes to the Consolidated Financial Statements continued

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### 26. Financial instruments continued

#### Reconciliation of Level 3 fair value measurements of financial assets:

	Available- for-sale -unlisted £m
Balance as at 1 January 2009	4.0
Total gains or losses:	
– in profit or loss	(0.7)
– in other comprehensive income	(0.3)
Purchases	0.1
	3.1

There were no financial liabilities subsequently measured at fair value on Level 3 fair value measurement bases.

The £0.7m loss included in profit or loss in the period relates to unlisted available-for-sale assets held at the balance sheet date. The loss in the period is included in 'Administrative expenses'.

Of the total gains or losses in the period included in other comprehensive income, losses of £0.2m are included in 'Hedging and translation reserve' and losses of £0.1m in 'Revaluation reserve'.

### 27. Share capital

	2009 No.	2008 No.
<b>Authorised</b>		
Ordinary shares of 25p	284,699,450	284,699,450
Redeemable deferred shares of £1	50,002	50,002
<b>Allotted, issued and fully paid</b>		
Ordinary shares of 25p	215,313,584	215,313,584
Redeemable deferred shares of £1	–	–
	2009 £m	2008 £m
<b>Allotted, issued and fully paid</b>		
Ordinary shares of 25p	53.8	53.8

Although the concept of companies being required to have an authorised share capital was abolished on 1 October 2009 by the Companies Act 2006, the Company's Articles of Association continue to include a restriction on the Company allotting shares in excess of its authorised share capital immediately before 1 October 2009.

A resolution is to be put to shareholders at the 2010 Annual General Meeting proposing that the Company adopt new Articles of Association, incorporating amongst other things, the removal of the authorised share capital article to bring it in line with the Companies Act 2006.

**28. Reconciliation of shareholders' funds****(a) Share capital, Share premium account, Reverse acquisition reserve**

	Share capital £m	Share premium account £m	Reverse acquisition reserve £m	Total £m
<b>Balance at 1 January 2008</b>	<b>53.2</b>	<b>–</b>	<b>(1,182.3)</b>	<b>(1,129.1)</b>
Issue of ordinary shares	0.6	9.9	–	10.5
<b>Balance at 1 January 2009</b>	<b>53.8</b>	<b>9.9</b>	<b>(1,182.3)</b>	<b>(1,118.6)</b>
<b>Balance at 31 December 2009</b>	<b>53.8</b>	<b>9.9</b>	<b>(1,182.3)</b>	<b>(1,118.6)</b>

**(b) Other reserves**

	Revaluation reserve £m	Merger reserve £m	Hedging and translation £m	Own shares £m	Other reserves £m
<b>Balance at 1 January 2008</b>	<b>0.9</b>	<b>121.5</b>	<b>(4.4)</b>	<b>(20.7)</b>	<b>97.3</b>
Revaluation of available-for-sale assets	0.5	–	–	–	0.5
Loss on net investment hedge	–	–	(17.2)	–	(17.2)
Exchange differences on translation of foreign operations	–	–	45.5	–	45.5
Total comprehensive income	0.5	–	28.3	–	28.8
Shares used to meet share award exercises	–	–	–	13.8	13.8
<b>Balance at 1 January 2009</b>	<b>1.4</b>	<b>121.5</b>	<b>23.9</b>	<b>(6.9)</b>	<b>139.9</b>
Revaluation of available-for-sale assets	0.9	–	–	–	0.9
Gain on net investment hedge	–	–	2.5	–	2.5
Exchange differences on translation of foreign operations	–	–	(16.9)	–	(16.9)
Taxation charge on components of other comprehensive income	–	–	(1.9)	–	(1.9)
Total comprehensive income	0.9	–	(16.3)	–	(15.4)
Sale of own shares	–	–	–	2.6	2.6
Shares used to meet share award exercises	–	–	–	1.5	1.5
<b>Balance at 31 December 2009</b>	<b>2.3</b>	<b>121.5</b>	<b>7.6</b>	<b>(2.8)</b>	<b>128.6</b>

**Own shares**

As at 31 December 2009, the Tullett Prebon plc Employee Benefit Trust 2007 held 677,797 ordinary shares (2008: 696,736 ordinary shares) and the Tullett Prebon plc Employee Share Ownership Trust held 555,631 ordinary shares (2008: 1,425,892 ordinary shares). During the year 345,786 ordinary shares were used to satisfy share award exercises and 543,414 shares were sold by the Tullett Prebon plc Employee Share Ownership Trust.

## Notes to the Consolidated Financial Statements continued

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### 28. Reconciliation of shareholders' funds continued

#### (c) Total equity

	Equity attributable to equity holders of the parent					
	Total from note 28(a) £m	Total from note 28(b) £m	Retained earnings £m	Total £m	Minority interest £m	Total equity £m
<b>Balance at 1 January 2008</b>	<b>(1,129.1)</b>	<b>97.3</b>	<b>1,162.1</b>	<b>130.3</b>	<b>2.1</b>	<b>132.4</b>
Profit for the year	–	–	94.5	94.5	0.5	95.0
Revaluation of available-for-sale assets	–	0.5	–	0.5	–	0.5
Loss on net investment hedge	–	(17.2)	–	(17.2)	–	(17.2)
Exchange differences on translation of foreign operations	–	45.5	–	45.5	1.0	46.5
Actuarial loss on defined benefit pension schemes	–	–	(9.4)	(9.4)	–	(9.4)
Taxation credit on components of other comprehensive income	–	–	9.7	9.7	–	9.7
Total comprehensive income	–	28.8	94.8	123.6	1.5	125.1
Issue of ordinary shares	10.5	–	–	10.5	–	10.5
Dividends paid in the year	–	–	(27.2)	(27.2)	(1.2)	(28.4)
Shares used to meet share award exercises	–	13.8	(13.8)	–	–	–
Credit arising on share-based payment awards	–	–	4.9	4.9	–	4.9
<b>Balance at 1 January 2009</b>	<b>(1,118.6)</b>	<b>139.9</b>	<b>1,220.8</b>	<b>242.1</b>	<b>2.4</b>	<b>244.5</b>
Profit for the year	–	–	110.8	110.8	0.6	111.4
Revaluation of available-for-sale assets	–	0.9	–	0.9	–	0.9
Gain on net investment hedge	–	2.5	–	2.5	–	2.5
Exchange differences on translation of foreign operations	–	(16.9)	–	(16.9)	(0.3)	(17.2)
Actuarial loss on defined benefit pension schemes	–	–	(0.5)	(0.5)	–	(0.5)
Taxation charge on items taken directly to equity	–	(1.9)	–	(1.9)	–	(1.9)
Total comprehensive income	–	(15.4)	110.3	94.9	0.3	95.2
Dividends paid in the year	–	–	(27.8)	(27.8)	(0.7)	(28.5)
Sale of own shares	–	2.6	(1.1)	1.5	–	1.5
Shares used to meet share award exercises	–	1.5	(1.5)	–	–	–
Increase in minorities' equity interests	–	–	–	–	0.2	0.2
Debit arising on share-based payment awards	–	–	(0.4)	(0.4)	–	(0.4)
<b>Balance at 31 December 2009</b>	<b>(1,118.6)</b>	<b>128.6</b>	<b>1,300.3</b>	<b>310.3</b>	<b>2.2</b>	<b>312.5</b>

## 29. Share-based payments

As at 31 December 2009 the Group had three equity-based long term incentive plans for the granting of non-transferable options to certain employees and executives. Options granted under these plans, once vested, typically become exercisable three years after grant date. The exercise of certain options is dependent on option holders meeting performance criteria. The maximum life of the options is 10 years after grant date. Options are settled in equity once exercised.

The Tullett Prebon plc Employee Benefit Trust 2007 (the 'EBT') was established on 30 October 2007 as an employees' share scheme to provide equity incentivisation to certain employees within the Group. Shares held by the EBT are transferred to employees on completion of the awards' performance criteria.

The following table summarises the share award schemes that existed at 31 December 2009 and the estimated fair values of awards when granted:

Share award scheme	Awards outstanding 2009	Estimated fair value at grant date
Tullett Liberty Equity Incentive Plan	56,779	210-249p
Tullett Prebon Long Term Incentive Plan (i)	2,220,930	389p
Tullett Prebon Long Term Incentive Plan (ii)	955,512	199p
Tullett Prebon plc Employee Benefit Trust 2007 (iii)	406,964	400-463p
	3,640,185	

### Notes:

- (i) 2008 awards are subject to revenue, margin performance and return on capital conditions
- (ii) 2009 awards are subject to total shareholder return and return on capital conditions
- (iii) Grants were on more than one date

The following table shows the number of share awards outstanding during 2009 and 2008:

	Number of awards
<b>2009</b>	
Outstanding at start of the year	4,663,687
Exercised during the year	(345,786)
Forfeited during the year	(1,633,228)
Granted during the year	955,512
Outstanding at end-of-year	3,640,185
Exercisable at end-of-year	56,779
<b>2008</b>	
Outstanding at start of the year	3,975,477
Exercised during the year	(2,977,681)
Forfeited during the year	(232,957)
Granted during the year	3,898,848
Outstanding at end-of-year	4,663,687
Exercisable at end-of-year	56,779

The weighted average exercise price for all awards in 2008 and 2009 was £nil.

## Notes to the Consolidated Financial Statements continued

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### 29. Share-based payments continued

The estimated fair value of each option granted in the Tullett Prebon Long Term Incentive Plan (2008) and Tullett Liberty Equity Incentive Plan schemes were calculated by applying a Black-Scholes option pricing model. The model inputs were the share price at grant date, exercise price, expected volatility, expected dividends based on historical dividend payment, expected life of the option until exercise and a risk-free interest rate based on government securities with a similar maturity profile.

The estimated fair value of the awards in the Tullett Prebon Long Term Incentive Plan (2009), which is subject to market conditions, was calculated by applying a Monte Carlo simulation model. The model inputs were the share price at grant date, exercise price, expected volatility, expected dividends based on historical dividend payment, expected life of the option until exercise, the volatility and correlation of Total Shareholder Return with a comparator group of companies and a risk-free interest rate based on government securities with a similar maturity profile.

The estimated fair value of each share granted under the Tullett Prebon plc Employee Benefit Trust 2007 was calculated based on the share price at grant date, adjusted for the non-accumulation of dividends.

The model inputs for each share option scheme that existed during 2009 are set out below:

	Tullett Prebon Long Term Incentive Plan (2009)	Tullett Prebon Long Term Incentive Plan (2008)	Tullett Liberty Equity Incentive Plan
Share price at date of grant (p) (i)	284	430	208-263
Exercise price (p)	nil	nil	nil
Expected volatility	58%	46%	30%
Expected life (years)	3	3	3
Risk free rate	2.2%	5.0%	4.5%
Expected dividend yield	4.5%	3%	2%
Expected volatility of comparator group	49%	n/a	n/a
Correlation with comparator group	27%	n/a	n/a
Proportion meeting performance criteria	100%	100%	100%

#### Notes:

(i) Tullett Liberty Equity Incentive Plan was rebased in 2006 to allow for the effect of the demerger of Collins Stewart plc

The weighted average contractual life for the share-based awards outstanding as at 31 December 2009 is 7.7 years (2008: 8.2 years).

The weighted average share price at the date of exercise, for share options exercised during 2009 was 140p (2008: 448p).

	2009 £m	2008 £m
(Credit)/expense arising from share-based payment schemes:	(0.4)	4.9

### 30. Acquisitions

#### Analysis of deferred and contingent consideration in respect of acquisitions

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

	2009 £m	2008 £m
At 1 January	23.8	18.2
Acquisitions during the year	–	10.4
Additional consideration accrued	0.5	–
Cash consideration paid	(3.4)	(3.0)
Adjustments to goodwill during the year (Reversal)/unwind of discount	(8.3)	(6.4)
Effect of movements in exchange rates	(1.0)	4.1
<b>At 31 December</b>	<b>10.3</b>	<b>23.8</b>
Amounts falling due within one year	5.6	3.1
Amounts falling due after one year	4.7	20.7
<b>At 31 December</b>	<b>10.3</b>	<b>23.8</b>

### 31. Notes to the cash flow statement

#### (a) Reconciliation of operating profit to net cash from operating activities

	2009 £m	2008 £m
<b>Operating profit</b>	<b>170.8</b>	155.6
Adjustments for:		
Share-based compensation	(0.4)	4.9
Profit on sale of other non-current financial assets	–	(1.3)
Loss on sale of property, plant and equipment	–	2.0
Depreciation of property, plant and equipment	6.1	6.5
Amortisation of intangible assets	2.1	1.3
Decrease in provisions for liabilities and charges	(1.8)	(5.4)
Outflow from retirement benefit obligations	(8.1)	(3.2)
Increase in non-current liabilities	0.7	0.7
<b>Operating cash flows before movement in working capital</b>	<b>169.4</b>	161.1
Decrease in trade and other receivables	4.4	13.1
(Increase)/decrease in net settlement balances	(0.2)	5.1
(Decrease)/increase in trade and other payables	(41.2)	26.1
<b>Cash generated from operations</b>	<b>132.4</b>	205.4
Income taxes paid	(30.4)	(39.1)
Interest paid	(16.7)	(30.3)
<b>Net cash from operating activities</b>	<b>85.3</b>	136.0

#### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments with maturity of three months or less. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and one week depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.



## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 31. Notes to the cash flow statement continued

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following at 31 December:

	2009 £m	2008 £m
Cash and cash equivalents	366.1	375.0
Bank overdrafts	–	(0.1)
	<b>366.1</b>	<b>374.9</b>

### 32. Analysis of net funds

2009	At 1 January 2009 £m	Cash flow £m	Non-cash items £m	Exchange differences £m	At 31 December 2009 £m
Cash	229.6	(27.2)	–	(12.7)	189.7
Cash equivalents	142.7	32.5	–	(1.6)	173.6
Client settlement money	2.7	0.1	–	–	2.8
Cash and cash equivalents	375.0	5.4	–	(14.3)	366.1
Other current financial assets	30.2	0.8	–	(0.9)	30.1
Total funds	405.2	6.2	–	(15.2)	396.2
Overdraft	(0.1)	0.1	–	–	–
Bank loans within one year	(30.0)	30.0	(30.0)	–	(30.0)
Bank loans after one year	(238.5)	–	29.4	–	(209.1)
Loans due after one year	(149.8)	2.6	(0.4)	–	(147.6)
Finance leases	(4.2)	3.7	(0.3)	0.3	(0.5)
	<b>(422.6)</b>	<b>36.4</b>	<b>(1.3)</b>	<b>0.3</b>	<b>(387.2)</b>
Total net funds	<b>(17.4)</b>	<b>42.6</b>	<b>(1.3)</b>	<b>(14.9)</b>	<b>9.0</b>

2008	At 1 January 2008 £m	Cash flow £m	Non-cash items £m	Exchange differences £m	At 31 December 2008 £m
Cash	177.4	10.9	–	41.3	229.6
Cash equivalents	82.4	58.6	–	1.7	142.7
Client settlement money	2.4	0.3	–	–	2.7
Cash and cash equivalents	262.2	69.8	–	43.0	375.0
Other current financial assets	28.3	(0.9)	–	2.8	30.2
Total funds	290.5	68.9	–	45.8	405.2
Overdraft	(0.1)	–	–	–	(0.1)
Bank loans within one year	(30.0)	30.0	(30.0)	–	(30.0)
Bank loans after one year	(267.9)	–	29.4	–	(238.5)
Loans due within one year	(0.1)	0.1	–	–	–
Loans due after one year	(149.2)	–	(0.6)	–	(149.8)
Finance leases	(3.2)	0.3	(0.3)	(1.0)	(4.2)
	<b>(450.5)</b>	<b>30.4</b>	<b>(1.5)</b>	<b>(1.0)</b>	<b>(422.6)</b>
Total net funds	<b>(160.0)</b>	<b>99.3</b>	<b>(1.5)</b>	<b>44.8</b>	<b>(17.4)</b>

### 33. Contingent liabilities

From time to time the Group is engaged in litigation. Notwithstanding the uncertainties that are inherent in the outcome of such matters, there are no issues which are considered to pose a significant risk of material adverse financial impact on the Group's results or net assets.

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

### 34. Operating lease commitments

	2009 £m	2008 £m
Minimum operating lease payments recognised in the income statement	<b>13.1</b>	12.9

At 31 December 2009 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009		2008	
	Buildings £m	Other £m	Buildings £m	Other £m
Within one year	<b>11.2</b>	<b>1.4</b>	12.0	1.9
Within two to five years	<b>28.7</b>	<b>0.5</b>	31.6	0.7
Over five years	<b>34.8</b>	–	42.9	–
	<b>74.7</b>	<b>1.9</b>	86.5	2.6

### 35. Retirement benefit obligations

#### (a) Defined benefit schemes

The Group has the following defined benefit schemes in the UK and in North America:

- (i) The Tullett Liberty Pension Scheme (Defined Benefit Section) is a defined benefit (final salary) funded pension scheme. The Principal Employer of the scheme is Tullett Prebon Group Limited. The defined benefit section of the scheme was closed to new members in 1991 and since May 2003 future accrual on a defined benefit basis has ceased. Members in service in 1991 receive benefits on the better of a money purchase underpin and defined benefit basis. For defined benefit section members in service in May 2003 there is a continuing link between benefits and pensionable pay.
- (ii) The Prebon Yamane (Ex K-W) Pension Scheme is a defined benefit (final salary) funded pension scheme. The Principal Employer of the scheme is Tullett Prebon Group Limited. The scheme was closed to new members in 1989 and since April 2006 future accrual on a defined benefit basis has ceased. Members receive benefits on the better of a money purchase underpin and defined benefit basis. For members in service in April 2006 there is a continuing link between benefits and pensionable pay.
- (iii) The Prebon Yamane US SERP 'C' plan provides participants in North America with retirement benefits for 10 or 15 years at a specified dollar amount. The entitlement of the participants to the plan benefits vests over time in accordance with length of service, up to a maximum period of 10 years. SERP 'C' was introduced in 1992 and the last participant was admitted in 1999. The previous plan, SERP 'B', provided participants with a target retirement benefit, but all investment gains and losses are borne by the participant and SERP 'B' is therefore treated as a defined contribution scheme.

The assets of the UK schemes are held separately from those of the Group, either in separate trustee administered funds or in contract-based policies of insurance. Obligations arising under the SERP 'C' plan are met from the Group's assets.

The estimated amounts of contributions expected to be paid into the UK defined benefit schemes during 2010 is £8.0m. The latest actuarial valuations of the Tullett Liberty Pension Scheme and of the Prebon Yamane (Ex K-W) Pension Scheme (together, the 'UK defined benefit schemes') were carried out as at 30 April 2007 and 1 January 2007 respectively by independent qualified actuaries.

The present value of the vested liabilities under the Prebon Yamane US SERP 'C' are recalculated using an appropriate discount rate and the necessary additional accrual (or release of accrual) is made as a pension cost. As at 31 December 2009 the SERP 'C' liability included in the balance sheet within long term payables was £0.7m (2008: £0.9m).

## Notes to the Consolidated Financial Statements continued

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### 35. Retirement benefit obligations continued

The main financial assumptions used by the independent qualified actuaries of the UK defined benefit schemes to calculate the liabilities under IAS 19 were:

	2009 %	2008 %
<b>Key assumptions used:</b>		
Discount rate	<b>5.70</b>	6.10
Expected return on schemes' assets	<b>7.05</b>	6.41
Expected rate of salary increases	<b>5.05</b>	4.05
Rate of increase in LPI pensions in payment*	<b>3.60</b>	2.70
Inflation assumption	<b>3.80</b>	2.80

\* This applies to pensions accrued from 6 April 1997. The majority of current and future pensions receive fixed increases in payment of either 0% or 2.5%.

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements and are the same as those adopted for the 2007 funding valuations. For the Tullett Liberty Pension Scheme the assumptions are that a member who retires in future at age 60 will live on average for a further 29 years (2008: 30 years) after retirement if they are male and for a further 31 years (2008: 31 years) after retirement if they are female. For the Prebon Yamane (Ex K-W) Pension Scheme the equivalent assumptions are 30 years (2008: 30 years) for males and 31 years (2008: 31 years) for females. Current pensioners are assumed to have a consistent but generally shorter life expectancy based on their current age.

The assets in the UK defined benefit schemes and the expected rates of return were:

	2009 Expected return %	2009 Assets £m	2008 Expected return %	2008 Assets £m
Equities	<b>7.40</b>	<b>123.5</b>	6.70	92.3
Corporate bonds	<b>5.70</b>	<b>9.7</b>	6.10	8.2
Cash and other	<b>0.70</b>	<b>4.5</b>	2.70	6.4
Weighted average return*	<b>7.05</b>		6.41	
Total fair value of schemes' assets		<b>137.7</b>		106.9

\* The overall expected rate of return on the schemes' assets is a weighted average of the individual expected rates of return on each asset class. The actual gain on schemes' assets was £26.2m (2008: loss on schemes' assets £13.0m).

The amount included in the balance sheet arising from the Group's obligations in respect of the UK defined benefit schemes was as follows:

	2009 £m	2008 £m
Present value of funded defined benefit obligations	<b>(139.0)</b>	(115.4)
Fair value of schemes' assets	<b>137.7</b>	106.9
Deficit in schemes	<b>(1.3)</b>	(8.5)

The amounts recognised in profit and loss in respect of the UK defined benefit schemes were as follows:

	2009 £m	2008 £m
Interest cost on schemes' liabilities	(7.0)	(7.1)
Expected return on schemes' assets	6.5	8.7
Recognised in profit and loss	(0.5)	1.6

Movements in the present value of the defined benefit obligations in the current period were as follows:

	2009 £m	2008 £m
At 1 January	(115.4)	(123.4)
Interest cost on schemes' liabilities	(7.0)	(7.1)
Actuarial (losses)/gains	(20.2)	11.8
Benefits paid/transfers out	3.6	3.3
At 31 December	(139.0)	(115.4)

Movements in the fair value of schemes' assets in the current period were as follows:

	2009 £m	2008 £m
At 1 January	106.9	119.5
Gross expected return on schemes' assets	6.5	8.7
Administration expenses	–	(0.5)
Actuarial gains/(losses)	19.7	(21.2)
Contributions from the sponsoring companies	8.2	3.7
Benefits paid/transfers out	(3.6)	(3.3)
At 31 December	137.7	106.9

Historical information:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of funded defined benefit obligations	(139.0)	(115.4)	(123.4)	(133.8)	(133.4)
Fair value of schemes' assets	137.7	106.9	119.5	107.6	96.8
Schemes' deficits	(1.3)	(8.5)	(3.9)	(26.2)	(36.6)
Experience adjustments on schemes' liabilities	(0.6)	(2.1)	(0.3)	0.2	0.1
Percentage of schemes' liabilities	(0.4)%	(1.8)%	(0.2)%	0.1%	0.1%
Experience adjustments on schemes' assets	19.8	(21.2)	4.2	4.9	17.7
Percentage of schemes' assets	14.4%	(19.8)%	3.5%	4.6%	18.3%

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 35. Retirement benefit obligations continued

#### (b) Defined contribution pensions

The Group operates a number of defined contribution schemes for qualifying employees. The assets of these schemes are held separately from those of the Group.

The defined contribution pension cost for the Group charged to administrative expenses was £5.1m (2008: £5.3m). The amount related to overseas schemes was £1.2m (2008: £1.9m).

As at 31 December 2009, contributions of £0.3m (2008: £0.5m) due in respect of the current reporting period had not been paid over to the schemes, of which £0.3m (2008: £0.5m) related to the overseas schemes.

#### 36. Client money

Client money held was £2.8m (2008: £2.7m). This represents balances held by the Group received as a result of corporate actions relating to security transactions.

#### 37. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The total amount owed to the Group by related parties and associates at 31 December 2009 was £0.1m (2008: £0.1m). The total amount owed by the Group to related parties and associates at 31 December 2009 was £1.1m (2008: £0.7m).

	Amounts owed by related parties		Amounts owed to related parties	
	2009 £m	2008 £m	2009 £m	2008 £m
Collins Stewart Employee Share Ownership Trust	–	–	0.7	0.7
Associates	0.1	0.1	0.4	–
	0.1	0.1	1.1	0.7

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Collins Stewart plc is a related party of the Group because Terry Smith is chairman of Collins Stewart plc and Keith Hamill is deputy chairman. Collins Stewart plc is the ultimate controlling entity of the Collins Stewart Employee Share Ownership Trust.

#### Non-executive directors' and executives' remuneration

Remuneration of the directors who were the key management personnel of the Group during the year is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the individual directors is provided in the audited part of the Report on Directors' Remuneration on pages 33 to 34.

	2009 £m	2008 £m
Short term benefits	6.3	6.2
Share-based payments	0.3	2.3
	6.6	8.5

### 38. Principal subsidiaries and undertakings

At 31 December 2009, the following companies were the Group's principal trading subsidiary undertakings, principal intermediate holding companies and associates.

Subsidiary undertakings	Country of incorporation	Principal activities	Issued ordinary shares, all voting
Tullett Prebon (Australia) Pty. Limited	Australia	Broking	100%
Marshalls (Bahrain) W.L.L.*	Bahrain	Broking	70%
Tullett Prebon Data Services Ltd.	Bermuda	Information sales	100%
Tullett Prebon Technology Services Ltd.	Bermuda	Information sales	100%
Tullett Prebon Canada Limited	Canada	Broking	100%
Tullett Prebon Group Holdings plc	England	Holding company	100%
Fulton Prebon Group Limited	England	Holding company	100%
TP Holdings Limited	England	Holding company	100%
M.W. Marshall (Overseas) Limited	England	Holding company	100%
Prebon Group Limited	England	Holding company	100%
Prebon Limited	England	Holding company	100%
Prebon Technology Holdings Limited	England	Holding company	100%
Prebon Technology Limited	England	IT support services	100%
Prebon Yamane International Limited	England	Holding company	100%
Tullett Liberty (European Holdings) Limited	England	Holding company	100%
Tullett Liberty Brokerage Ltd.	England	Holding company	100%
Tullett Liberty (Oil & Energy) Holdings Limited	England	Holding company	100%
Tullett Liberty (Oil & Energy) Limited	England	Broking	100%
Tullett Liberty (Overseas Holdings) Limited	England	Holding company	100%
Tullett Prebon Administration Limited	England	Service company	100%
Tullett Prebon (Equities) Limited	England	Broking	100%
Tullett Prebon Group Limited	England	Service company	100%
Tullett Prebon (Securities) Limited	England	Broking	100%
Tullett Prebon (Europe) Limited	England	Broking	100%
Tullett Prebon (No. 1)	England	Holding company	100%
Aspen Oil Group Limited	England	Holding company	100%
Tullett Prebon Information Limited	Guernsey	Information sales	100%
Tullett Prebon Asia Group Limited	Hong Kong	Holding company	100%
Tullett Prebon (Hong Kong) Limited	Hong Kong	Broking	100%
PT. Inti Tullett Prebon Indonesia	Indonesia	Broking	57.52%
Tullett Prebon (Japan) Limited	Japan	Broking	100%
Yamane Tullett Prebon (Japan) Limited**	Japan	Broking	50%
Tullett Prebon Money Brokerage (Korea) Limited	Korea	Broking	100%
Tullett Liberty B.V.	Netherlands	Holding company	100%
Prebon Holdings B.V.	Netherlands	Holding company	100%
Tullett Prebon (Philippines) Inc.	Philippines	Broking	51%
Tullett Prebon (Polska) SA (formerly Prebon Yamane (Polska) SA)	Poland	Broking	100%
Tullett Liberty (Energy) Holdings Pte. Ltd.	Singapore	Holding company	100%
Tullett Prebon Energy (Singapore) Pte. Ltd.	Singapore	Broking	100%

\* The Group's interest in the trading results is 90%.

\*\* The Group's interest in the trading results is 60%.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2009

### 38. Principal subsidiaries and undertakings continued

Subsidiary undertakings	Country of incorporation	Principal activities	Issued ordinary shares, all voting
Prebon (Singapore) Holdings Limited	Singapore	Holding company	100%
Tullett Prebon (Singapore) Limited	Singapore	Broking	100%
Prebon Technology Services (Singapore) Pte. Ltd.	Singapore	IT support services	100%
Tullett Prebon Information (Singapore) Pte. Limited	Singapore	Information sales	100%
Aspen Oil Broking (Singapore) Pte. Ltd.	Singapore	Broking	100%
Cosmorex A.G.	Switzerland	Broking	100%
Cosmorex Holdings A.G.	Switzerland	Holding company	100%
Tullett Prebon Energy Inc.	USA	Broking	100%
Prebon Financial Products Inc.	USA	Broking	100%
Tullett Prebon Financial Services LLC (formerly Tullett Liberty Securities LLC)	USA	Broking	100%
Tullett Prebon (Americas) Holdings Inc.	USA	Holding company	100%
Tullett Prebon Americas Corp. (formerly Tullett Prebon Holdings Corp.)	USA	Holding company	100%

All the above subsidiary undertakings are owned indirectly, with the exception of Tullett Prebon Group Holdings plc, which is owned directly. They all have a 31 December year end with the exception of Prebon Limited and Yamane Tullett Prebon (Japan) Limited, which have a 31 March year end.

Associates	Country of incorporation	Principal activities	Issued ordinary shares, all voting
Tullett Liberty (Bahrain) Company W.L.L.*	Bahrain	Broking	49%
Tullett Prebon SITICO (China) Limited	China	Broking	33%
Parekh (Forex) Private Limited	India	Broking	26%
Prebon Yamane (India) Limited	India	Broking	48%
Wall Street Tullett Prebon Limited	Thailand	Broking	49%
Wall Street Tullett Prebon Securities Limited	Thailand	Broking	49%

\* The Group's interest in the trading results is 85%. The company is not consolidated as the Group does not have sufficient voting control to govern the financial and operating policies of the company.

All associates are held indirectly. They all have a 31 December year end with the exception of Parekh (Forex) Private Limited, which has a 31 March year end.

## Independent Auditors' Report to the Members of Tullett Prebon plc

We have audited the Parent Company Financial Statements of Tullett Prebon plc for the year ended 31 December 2009 which comprise the Balance Sheet and the related notes 1 to 8. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the Parent Company Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Parent Company Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### Opinion on financial statements

In our opinion the Parent Company Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006 In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Other matter

We have reported separately on the Group Financial Statements of Tullett Prebon plc for the year ended 31 December 2009.

### Manbinder Rana (Senior Statutory Auditor) for and on behalf of

**Deloitte LLP**  
Chartered Accountants and Statutory Auditors  
London  
United Kingdom  
8 March 2010



## Company Balance Sheet

as at 31 December 2009

	Notes	2009 £m	2008 £m
<b>Fixed assets</b>			
Investment in subsidiary undertakings	4	<b>1,188.1</b>	1,188.7
<b>Current assets</b>			
Receivables due within one year	5	–	10.8
Cash and cash equivalents		<b>17.0</b>	34.2
		<b>17.0</b>	45.0
<b>Creditors: amounts falling due within one year</b>	6	<b>(8.0)</b>	(23.5)
<b>Net current assets</b>		<b>9.0</b>	21.5
<b>Total assets less current liabilities</b>		<b>1,197.1</b>	1,210.2
<b>Creditors: amounts falling due after one year</b>	6	<b>(476.2)</b>	(478.9)
<b>Net assets</b>		<b>720.9</b>	731.3
<b>Capital and reserves</b>			
Called-up share capital	7	<b>53.8</b>	53.8
Share premium	8	<b>9.9</b>	9.9
Own shares	8	<b>(0.2)</b>	(0.2)
Profit and loss account	8	<b>657.4</b>	667.8
<b>Shareholders' funds</b>		<b>720.9</b>	731.3

The financial statements of Tullett Prebon plc (registered number 5807599) were approved by the Board of directors and authorised for issue on 8 March 2010 and are signed on its behalf by:

**Terry Smith**  
Chief Executive

## Notes to the Financial Statements

for the year ended 31 December 2009

### 1. Basis of preparation

#### (a) Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

#### (b) Cash flow statement

The results, assets and liabilities of the Company are included in the consolidated financial statements of Tullett Prebon plc. Consequently, the Company has taken advantage of the exemption available from preparing a cash flow statement under the terms of FRS 1 (revised) 'Cash flow statements'.

#### (c) Financial instruments

As disclosures equivalent to that required under FRS 29 'Financial Instruments: Disclosures' are given in the publicly available consolidated financial statements of Tullett Prebon plc the Company is exempt from the disclosures required by FRS 29 in its own accounts.

### 2. Significant accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

#### (a) Investments

Fixed asset investments in subsidiary undertakings are shown at cost less provision for impairment.

At acquisition, the cost of investment in a subsidiary is measured at the fair value of the consideration payable, except for subsidiaries acquired through the issue of shares qualifying for merger relief where cost is measured by reference to the nominal value of the shares issued.

#### (b) Taxation

Current taxation is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

#### (c) Share-based payments

The Company has applied the requirements of FRS 20 (IFRS 2) 'Share-based payment' and UITF abstract 44 (IFRIC Interpretation 11) 'FRS 20 (IFRS 2) – Group and Treasury Share Transactions'.

The Company has share-based payment arrangements involving employees of its subsidiaries. The cost of these arrangements is measured by reference to the fair value of equity instruments on the date they are granted. Cost is recognised in 'Investment in subsidiary undertakings' and credited to the 'profit and loss account' reserves on a straight-line basis over the vesting period. Where the cost is subsequently recharged to the subsidiary, it is recognised as a reduction in 'Investment in subsidiary undertakings'.

#### (d) Financial assets and financial liabilities

The Company has adopted FRS 25 'Financial Instruments: Presentation', FRS 26 'Financial Instruments: Recognition and Measurement'.

Financial assets are classified on initial recognition as 'loans and receivables'. Financial liabilities are classified on initial recognition as 'other financial liabilities'.

#### *Loans and receivables*

Loans and receivables are non-derivative financial instruments that have fixed or determinable payments that are not listed in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised using the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### *Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Impairment is recognised in the income statement.

#### (e) Employee Share Ownership Plans

The assets, liabilities and results of the Tullett Prebon plc Employee Benefit Trust 2007 are included in accordance with UITF Abstract 38 'Accounting for ESOP trusts'.

### 3. Profit for the year

As permitted in section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the period. Tullett Prebon plc reported a profit for the financial period ended 31 December 2009 of £17.8m (2008: profit £54.8m).

The auditors' remuneration for audit services to the Company was £0.3m (2008: £0.3m).

## Notes to the Financial Statements continued

for the year ended 31 December 2009

### 4. Investments in subsidiary undertakings

#### Shares in subsidiary undertakings

	2009 £m	2008 £m
<b>Cost</b>		
At 1 January	1,188.7	1,184.1
Capital (reduction)/contribution arising on share-based awards	(0.4)	4.6
Recharges relating to share-based payments	(0.2)	–
Acquisitions	–	18.6
Disposals	–	(18.6)
At 31 December	1,188.1	1,188.7

During 2008 the Company acquired and subsequently sold to a fellow subsidiary, 100% of the share capital of Primex Energy Brokers Limited ('Primex'), subsequently renamed Tullett Prebon (Oil) Limited.

### 5. Receivables

	2009 £m	2008 £m
<b>Amounts falling due within one year:</b>		
Amounts owed by Group undertakings	–	9.0
Corporation tax	–	1.8
	–	10.8

### 6. Creditors

	2009 £m	2008 £m
<b>Amounts falling due within one year:</b>		
Accruals and deferred income	4.7	0.7
Amounts owed to Group undertakings	3.3	22.8
	8.0	23.5
<b>Amounts falling due after one year:</b>		
Accruals and deferred income	2.2	5.7
Amounts owed to Group undertakings	474.0	473.2
	476.2	478.9

The Company has the following borrowings as at 31 December 2009:

£172.5m (2008: £161.6m) from its subsidiary, Tullett Prebon Group Holdings plc. £161.6m has a maturity date of 15 December 2011 on which interest is payable annually at LIBOR plus 2.125%, and £10.9m is a loan callable upon 90 days written notice on which interest is payable quarterly at LIBOR plus 2.125%. The Company has been notified that the loan will not be called within the next twelve months. The effective interest rate applicable on these loans was 5.3% (2008: 8.1%).

£261.4m (2008: £271.5m) from its subsidiary, TP Holdings Limited. £241.5m has a maturity date of 19 March 2017 on which interest is payable annually at LIBOR plus 2.5% and £19.9m is a loan callable upon 90 days written notice on which interest is payable quarterly at LIBOR plus 2.125%. The Company has been notified that the loan will not be called within the next twelve months. The effective interest rate applicable on these loans was 5.0% (2008: 8.6%).

£40.1m (2008: £40.1m) from its subsidiary, Tullett Prebon Group Limited. £35.1m is a loan callable upon 90 days written notice on which interest is payable quarterly at LIBOR plus 2.125% and £5.0m is a loan callable upon 90 days written notice on which interest is payable annually at LIBOR plus 2.5%. The Company has been notified that the loans will not be called within the next twelve months. The effective interest rate applicable on these loans was 4.0% (2008: 8.7%).

The carrying value of all loans approximate to fair value.

**7. Called-up share capital**

	2009 No.	2008 No.
<b>Authorised</b>		
Ordinary shares of 25p	284,699,450	284,699,450
Redeemable deferred shares of £1	50,002	50,002
<b>Allotted, issued and fully paid</b>		
Ordinary shares of 25p	215,313,584	215,313,584
Redeemable deferred shares of £1	–	–
	2009 £m	2008 £m
<b>Authorised</b>		
Ordinary shares of 25p	71.2	71.2
Redeemable deferred shares of £1	–	–
	71.2	71.2
<b>Allotted, issued and fully paid</b>		
Ordinary shares of 25p	53.8	53.8
Redeemable deferred shares of £1	–	–
	53.8	53.8

Although the concept of companies being required to have an authorised share capital was abolished on 1 October 2009 by the Companies Act 2006, the Company's Articles of Association continue to include a restriction on the Company allotting shares in excess of its authorised share capital immediately before 1 October 2009.

A resolution is to be put to shareholders at the 2010 Annual General Meeting proposing that the Company adopt new Articles of Association, incorporating amongst other things, the removal of the authorised share capital article to bring it in line with the Companies Act 2006.

## Notes to the Financial Statements continued

for the year ended 31 December 2009

### 8. Reconciliation of shareholders' funds

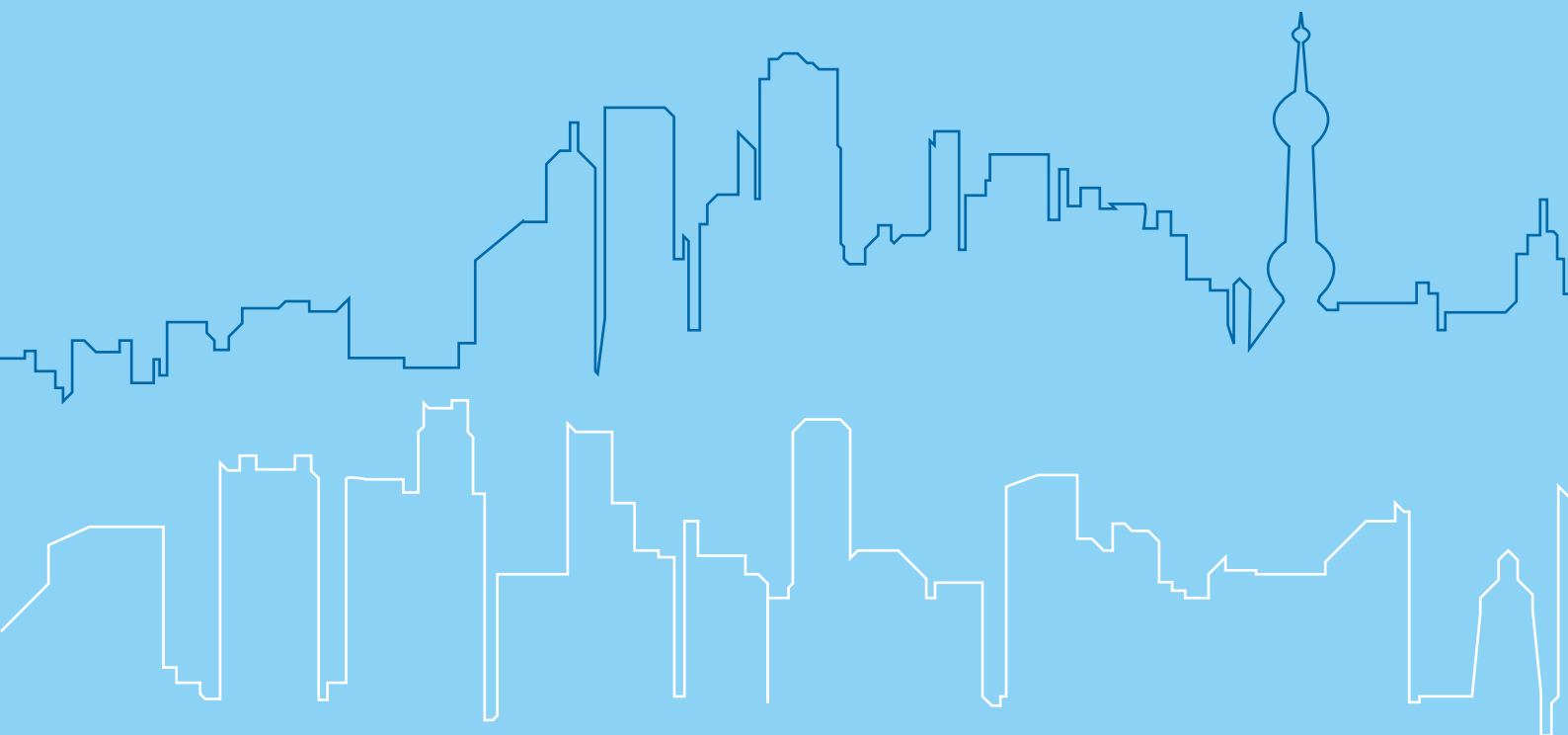
	Called up share capital £m	Share premium account £m	Own shares £m	Profit and loss account £m	Total shareholders' funds £m
<b>Balance at 1 January 2008</b>	<b>53.2</b>	<b>–</b>	<b>(0.1)</b>	<b>635.6</b>	<b>688.7</b>
Profit for the period	–	–	–	54.8	54.8
Dividends paid	–	–	–	(27.2)	(27.2)
Issue of ordinary shares	0.6	9.9	–	–	10.5
Credit arising on share-based payments	–	–	–	4.6	4.6
Purchase of own shares	–	–	(0.1)	–	(0.1)
<b>Balance at 1 January 2009</b>	<b>53.8</b>	<b>9.9</b>	<b>(0.2)</b>	<b>667.8</b>	<b>731.3</b>
Profit for the period	–	–	–	17.8	17.8
Dividends paid	–	–	–	(27.8)	(27.8)
Debit arising on share-based payments	–	–	–	(0.4)	(0.4)
<b>Balance at 31 December 2009</b>	<b>53.8</b>	<b>9.9</b>	<b>(0.2)</b>	<b>657.4</b>	<b>720.9</b>

At 31 December 2009 the Company's distributable reserves amounted to £657.4m (2008: £667.8m).

# Shareholder Information

## In this section:

88 Shareholder Information



## Shareholder Information

### Financial calendar for 2010

#### 8 March

Preliminary announcement

#### 28 April

Ex-dividend Date

#### 30 April

Dividend Record Date

#### 13 May (2.30pm)

Annual General Meeting

#### 20 May

Dividend payment date

#### 2 August

Half Year results announcement

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