tullett prebon

Annual Report 2010

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 is conducted through voice broking, where brokers, supported by proprietary screens displaying historical data, analytics and real-time prices, discover price and liquidity for their clients; and through hybrid electronic platforms, which cover asset classes that include US, European, Australian and Scandi Repo, US Fixed Income, global FX Options, Cash Credit and CDS, and the US & European Energy markets.

Tullett Prebon also has an established data sales business, Tullett Prebon Information, which collects, cleanses, collates and distributes real-time information to data providers, and a smaller Risk Management Services business, launched in 2009, which provides clients with post-trade, multi-product matching services (including tpMATCH), associated market data and independent valuation services.

For more information see our corporate website:
www.tullettprebon.com

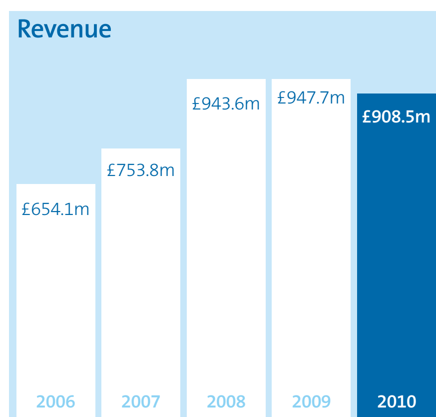
Tullett Prebon electronic broking products:

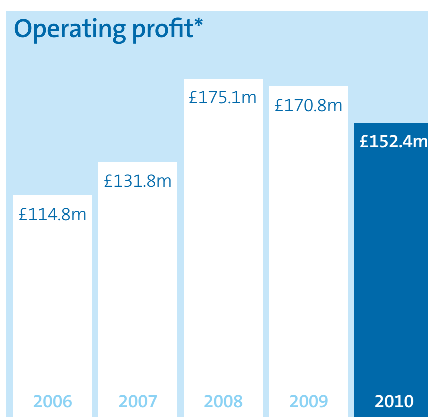
Hybrid platforms:
tpTRADEBLADE – Volatility
tpCREDITDEAL – Credit
tpENERGYTRADE – Energy
tpSWAPDEAL – Rates

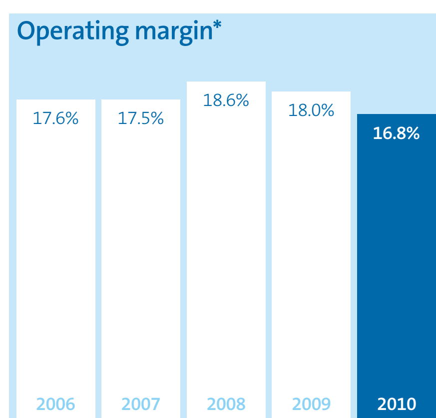
Post trade and risk management services:
tpMATCH – Rates
tpDELTADEAL – Credit

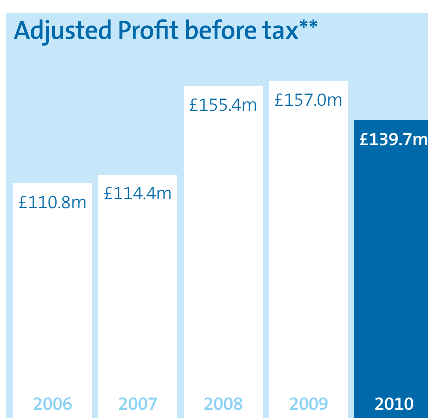
Pure electronic platforms:
tpREPO – Rates

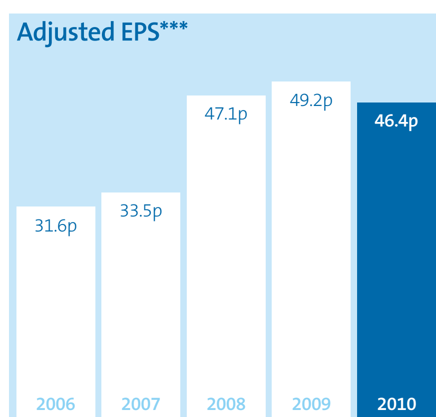
Financial highlights

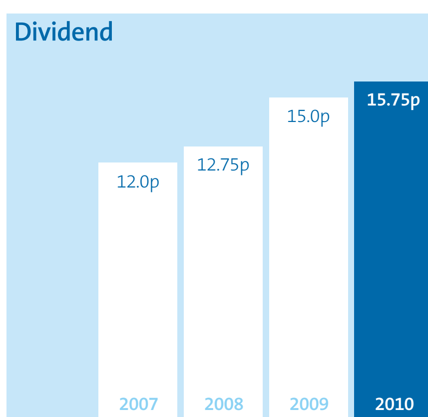












* Operating profit and operating margin for 2008 are stated before exceptional items.

** 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 tax on capital related items, and for 2008 is before exceptional items.

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Chairman's Statement

The financial results for 2010 reflect the enduring strength of the business in challenging market and competitive conditions, and the progress that has been made in re-establishing our position in North America.

Results
The results are explained in detail in the Business Review.

Revenue for the year of £908.5m was 4% lower than reported for 2009 mainly due to the effect of the defection of a large number of brokers in North America following the raid by a competitor called BGC in the second half of 2009. Underlying revenue, adjusting for these broker defections, was unchanged compared with the prior year. Given that market activity was more subdued overall in 2010 than in 2009 this was a good performance.

Operating profit of £152.4m was 11% lower than for 2009, reflecting a reduction in operating margin to 16.8%. There is some operational leverage in the business, and operating margins were adversely affected by lower levels of revenue. The operating margin was also adversely affected by the additional costs incurred in rebuilding the business in North America. This process of rebuilding the desks affected is now complete.

After lower financing costs, adjusted profit before tax of £139.7m compares with £157.0m in 2009. With a reduction in the effective tax rate to 29.2%, adjusted basic earnings per share were 6% lower than last year at 46.4p.

One of the most attractive features of the business is its excellent cash flow generation. Operating cash flow for the year was £132.0m and at the end of the year net funds amounted to £67.8m, an increase in the year of £58.8m.

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

The Company is not managed around the short term share price but we are mindful of the returns to our shareholders over time. Total shareholder return for 2010 was 43% which compares to the return from the FTSE 250 index of 28% and the General Financials sector index of 28%. This reflects the continuation of the recovery of the share price from a very low level at the end of 2008, but the Board remains aware that the earnings multiple currently applied to the Company continues to be only single digit.

The Board recognises that dividends are an important element of shareholder return and is recommending a final dividend of 10.5p per share, making the total dividend for the year 15.75p per share, an increase of 5% on the 15.0p per share paid for 2009. The final dividend will be payable on 19 May 2011 to shareholders on the register on 26 April 2011.

Financing
The Company is conservatively financed, which we consider is appropriate in current market circumstances. Since the year end the Company has entered into new £235m bank facilities that mature in February 2014 to replace the existing facilities that would have matured in January 2012. The facilities include a £115m committed revolving credit facility that allows the Company to reduce its gross borrowings whilst retaining all of its previous financial flexibility. The Company's other significant borrowing is through a £141m bond that matures in 2016. The Company therefore has an attractive debt maturity profile.

In February this year, Fitch upgraded the Company's credit rating to BBB with stable outlook.

I am also pleased to be able to report that the Company's two defined benefit pension schemes in the UK now both have a funding surplus, achieved through a combination of contributions and very good investment returns. These schemes, which became obligations of the Company through the acquisitions of Tullett and Prebon, had significant funding deficits at the time of acquisition, with an accounting deficit of £37m at the end of 2005. At the end of 2010 the accounting surplus in the schemes was £24m.

Strategy and return on capital
Our strategy is to continue to focus on providing services as an intermediary in wholesale Over The Counter ('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.

We will continue to focus on those areas of business in which we have a strong advantage and the opportunity to make good returns. We are investing in the development of the business and in broadening its activities as an inter-dealer broker and in the related areas of information sales and risk management services. Return on capital is a key driver in our investment decisions and together with cash flow and operating margin is one of the key measures the Board uses to assess the quality of the financial performance.

The return on capital employed was 40% in 2010, despite the reduction in operating profit in the year.

Regulatory developments
There have been significant developments during 2010 in the process of agreeing and introducing reforms designed to strengthen the financial system and to improve the operation of the financial markets.

Although these developments will result in changes in the way in which some OTC trades are executed, reported and settled, we believe that the effective operation of the vast majority of wholesale OTC markets will continue to need broker support in providing liquidity, and that the introduction of the proposals will be positive for the business as the role of the intermediary in these markets is formalised.

Risk
The risk inherent in our activities is low. As an intermediary, the business does not take any trading risk and does not hold principal trading positions. The majority of our broking activities are on a Name Give-Up basis where the business is not at any time a counterparty to the trade, and in Matched Principal activities 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.

The Board and the Audit Committee, chaired by my colleague Richard Kilsby, has continued to thoroughly analyse the risks faced by the business and the controls in place to mitigate and manage them. This process is helped considerably by the fact that the business is well controlled, transparent and prudently managed. The Board has good visibility of the financial and operational

performance of the business and actively engages with senior executives and internal specialists in understanding how the risks are monitored and controlled.

The Business Review includes a detailed analysis of our risks. It is not possible to eliminate risk in any business but, provided this one continues to be 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

The Remuneration Report is set out on pages 32 to 38. The Remuneration Committee is chaired by my colleague Rupert Robson.

One of the key areas of focus for the Remuneration Committee during the year was the FSA Remuneration Code (the 'Code') which was issued in final form in December. The main principle of the Code is that remuneration policies must be consistent with and promote sound and effective risk management. The low risk nature of the business is recognised in our classification as a Tier Four firm for the purposes of the application of the Code.

In my statement last year I noted that after careful review of the relationship between remuneration and risk, undertaken with the benefit of external expert advice, we concluded that the risk arising from our remuneration policies is low and that we did not believe that our approach to remuneration gives rise to an increase in risk – indeed since remuneration is performance based and losses can be rapidly identified it should discourage risk. We have reviewed our remuneration policies and the terms of reference for the Remuneration Committee in the light of the Code, in order to ensure that we were compliant with the policies and governance aspects by the end of the year. No significant changes were required.

Board composition and governance

The Company benefits from having a strong and experienced Board of directors who work well together in guiding the long term success of the Company. The Board has carefully considered its composition during the year.

Michael Fallon MP resigned as a non-executive director of the Company in June following the general election as a precautionary measure in the event that his other commitments might have prevented him from serving effectively as a director. When it became clear that this would not be an issue, we invited Michael to rejoin the Board, and he was re-appointed in September. His depth of experience with the Company and the perspective he brings on City matters generally and on regulation in particular are very valuable to the Board and I am delighted he was able to rejoin us.

My colleague David Clark has been associated with the Tullett business as a non-executive director since 2000, and joined the Board of Collins Stewart Tullett in 2003 following the acquisition of the Tullett business. He has therefore served as a director for eight years and as Senior Independent Director since June 2007. David has kindly agreed to continue to serve as the Senior Independent Director until we complete the process of identifying his successor.

The Board has continued to consider succession planning both to ensure that the Company has developing managers to take leadership roles and to plan the succession of the non-executive team.

With effect from the beginning of this year the Company is subject to the new UK Corporate Governance Code. One of the new provisions is that all directors of FTSE 350 companies should be subject to annual re-election by shareholders. We expect that we will transition to adopting this policy for the AGM in 2012 when we will also seek shareholder approval to amend the Articles of Association to replace the current requirement for directors to retire by rotation after three years with a requirement for directors to seek annual re-election.

Outlook

The world's financial markets remain unsettled, and although it is difficult to predict market conditions, it seems reasonable to expect that there will continue to be periods of volatility.

Underlying revenue, adjusting for the impact of the closure of the six satellite offices in North America, is 3% higher in the first two months of the year than a year ago. This reflects the benefit of the rebuilding in North America and the continued recovery in Asia. We will continue to invest in the development of the business across all three regions.

The enduring strength of the business is the valuable service it provides to clients through its ability to create liquidity through price and volume discovery to facilitate trading in a wide range of financial instruments. We believe that the introduction of the various regulatory proposals affecting the OTC markets will be positive for our business as the proposals formalise the role of the intermediary in those markets. The changes in the regulatory environment will result in changes in the way in which some trades are executed, reported and cleared. We believe that we are well positioned to continue to provide a valuable service to clients and that our offering can be developed to meet the requirements being proposed.

Keith Hamill
Chairman
8 March 2011

Business Review

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Objectives, strategy and risk profile

The Company's objective is to maximise returns to shareholders over the medium to long term with 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 past 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 19.

Business Review
continued

Regulatory developments

There have been significant developments during 2010 in the process of agreeing and introducing reforms designed to strengthen the financial system and to improve the operation of the financial markets.

In the United States the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted on 21 July 2010 and includes legislation governing the regulation and operation of OTC derivatives markets. The Act requires the CFTC and SEC to establish detailed rules and regulations to apply the principles of the legislation by July 2011. Most pertinently for the inter-dealer broker industry the CFTC published its proposed rules on the Core Principles and Other Requirements for Swap Execution Facilities (SEFs) in early January 2011. The CFTC rules governing SEFs are due to come into force in the final quarter of 2011 although this could be delayed pending the outcome of the comment process.

In Europe, the European Commission tabled proposals on the regulation of OTC derivatives markets, commonly known as the European Markets Infrastructure Regulation (EMIR), in September 2010, and in December published a consultation on the review of the Markets in Financial Instruments Directive, commonly known as MiFID II. It is envisaged that the EMIR and MiFID II reforms will come into force during 2013.

We continue to be engaged both directly and through our trade associations in responding to these consultation and discussion documents, and with assisting the rule setters in understanding how the OTC markets currently operate, to help ensure that the final regulations achieve their stated objectives and avoid unintended negative consequences.

Although the final rules are still to be agreed, focusing on the impact on the OTC markets, there are four general themes that emerge in these proposals:

- the requirement for market participants to use central counterparties (CCPs) to clear certain contracts (to be determined by a central authority), with exemptions for non-financial counterparties;
- the requirement for trades to be reported to trade repositories;
- enhanced pre and post trade transparency; and
- the requirement for trades which are settled through a central counterparty to be traded through regulated execution venues that meet particular criteria in how they operate and how they are governed – termed SEFs in the US and 'qualifying organised trading facilities' in Europe.

We agree with the objectives and support the direction of these proposals. We believe that their introduction will be positive for our business as the proposals formalise the role of the intermediary in the OTC markets. Specifically, we would make the following observations:

- the increased use of CCPs transfers rather than eliminates risk, and as acknowledged by the proposals, the decision as to which trades are suitable for CCP clearing needs to be made in conjunction with the CCP in the context of their ability to manage the risk;
- the increased use of CCPs is likely to increase the number of counterparties able to be served by the business;
- access to clearing should be open to all execution venues in order to maintain efficiency and market flexibility, and this is recognised by the proposals;
- the provision of trade information to central repositories would be useful for regulators to understand total market and individual participant exposures, but too much pre and post trade transparency can be harmful to liquidity, reduce market efficiency and undermine the efficacy of regulation; and
- there are only a very few highly liquid products that are suitable for execution solely on pure electronic platforms without intervention and support from brokers. The proposed requirements for execution venues include the increased use of electronic facilitation, but we believe that given the nature of the markets, broker support in providing liquidity will remain essential to the effective operation of those markets. We believe that our hybrid electronic broking model means that we are well positioned to continue to provide a valuable service to clients, and that our offering can be developed to meet the requirements being proposed.

Overview

Although financial markets have remained unsettled and risk appetite has started to return, market activity was more subdued overall in 2010 than in 2009. There were only a few limited periods of sustained higher volatility during the year, most notably in May, and in November and the first two weeks in December.

Underlying revenue in 2010 was unchanged compared with the prior year which was a good performance in these market conditions. The net effect of the broker defections in North America, following the raid by BGC in the second half of 2009, reduced revenue by 5%. In addition the action taken during the year to close six satellite offices in North America that made only a limited contribution to operating profit reduced revenue by 1%. The impact of currency movements on the translation of our non-UK operations was slightly favourable. Overall, revenue of £908.5m was 4% lower than reported for 2009. Operating profit for the year was £152.4m, 11% lower than 2009, with an operating margin of 16.8%.

Excellent progress has been made in re-establishing our presence in all of the major product areas in North America affected by the broker defections. Including the 26-strong credit broking team who started with the business in early January 2011, broker headcount on the affected desks is now largely back to the levels before the defections.

In addition to the hiring programme, action has been taken to reduce costs and complexity in North America including reductions in broking support staff and the closure of six satellite offices in the region. The offices that have been closed accounted for around 2% of Group revenue in 2010, mainly in cash equities and energy products, and their closure allows management to focus on the two main offices in New Jersey and New York.

The presidential election in Brazil has delayed the final approval of our acquisition of Convenção, one of the leading and most well respected brokers in Brazil, which will facilitate our expansion both in the market in Brazil and in other Latin American markets, and will complement our existing emerging markets activities in North America.

We have continued to develop our electronic broking capabilities, focused on the hybrid electronic broking model, developing electronic platforms which complement and support existing voice broker liquidity. This approach is preferred by both clients and brokers as it is better suited to the majority of OTC products for which liquidity will continue to depend on the support of voice brokers, and it facilitates the development and introduction of trade execution methods and other capabilities as necessary to meet regulatory requirements and market demands. We have a well established development process with access to market leading technology and we are well placed to launch new platforms as and when they are required.

The Information Sales business has continued to expand its customer base and investment is being made to increase the breadth of the data it offers to customers. The post trade Risk Management Services business has established a significant market share in electronic LIBOR reset matching through the tpMATCH platform that was launched at the end of 2009.

Revenue from products supported by electronic platforms, together with Information Sales and Risk Management Services revenue, continues to account for one-sixth of total revenue, as no new platforms were launched in 2010. The proportion of that revenue derived from voice-only execution continues to reduce, with an increasing proportion derived from trades conducted through the platforms.

There have been significant developments during 2010 in the process of agreeing and introducing reforms designed to strengthen the financial system and to improve the operation of the financial markets. In the United States the Dodd-Frank Wall Street Reform and Consumer Protection Act has passed into law, and the European Commission has published proposals on the regulation of OTC derivatives markets and on the review of the Markets in Financial Instruments Directive. We support the general direction of these developments, and more detailed comments on them and their potential impact on the business are set out below. Whilst these developments will introduce increased regulation of OTC derivatives markets and changes in the way in which some trades are executed, they reinforce and formalise the role of the intermediary in the wholesale markets for financial instruments. There are only a very few highly liquid products that are suitable for execution solely on pure electronic platforms without intervention and support from brokers. We believe that our investments in electronic platforms and associated infrastructure, and our hybrid electronic broking model, means we are well positioned to respond to, and to benefit from, changes in the way in which OTC markets and our customers operate.

The enduring strength of our business is the valuable service it provides to clients through its ability to create liquidity through price and volume discovery to facilitate trading in a wide range of financial instruments. 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.

Our key financial and performance indicators for 2010 compared with those for 2009 are summarised in the table below.

Reported revenue in 2010 of £908.5m was 5% lower than 2009 at constant exchange rates. Year end broker headcount was 1% lower at 1,601 but this reflects the closure of the six satellite offices in North America. Adjusting for that action, year end broker headcount was 3% higher than last year. Average revenue per broker at £540k was 5% lower at constant exchange rates reflecting the generally lower level of activity in the market and the impact of new hires building up to their full run rate of revenue.

			Change	
Key financial and performance indicators	**2010**	**2009**	**Reported**	**Constant Exchange Rates**
Revenue	**£908.5m**	£947.7m	-4%	-5%
Operating profit	**£152.4m**	£170.8m	-11%	-11%
Operating margin	**16.8%**	18.0%	-1.2% points	
Broker headcount (year end)	**1,601**	1,612	-1%	
Average revenue per broker (£'000)	**540**	565	-4%	-5%
Broker employment costs : broking revenue	**58.5%**	58.0%	+0.5% points	
Broking support headcount (year end)	**679**	712	-5%	

Business Review
continued

Operating profit of £152.4m was 11% lower than for 2009 with the operating margin at 16.8% compared to 18.0% for 2009. There is some operational leverage in the business and the reduction in operating margin primarily reflects the effect of the reduction in revenue in North America. In addition broker compensation as a percentage of broking revenue increased by 0.5% points to 58.5% due to the increased costs of employment in North America as a result of the unlawful poaching raid on the business by BGC, and the initial inefficiencies experienced as the affected desks were re-established. The 5% reduction in broking support headcount reflects cost reduction action taken in North America.

Litigation

On 18 March 2010 Judgment was handed down in the legal action that the Company had taken in London against BGC, two of BGC's senior directors and 10 former Company brokers, in response to a raid by BGC in early 2009 on the London business. The Judge held that there was an unlawful conspiracy between BGC and its two senior directors to poach the Company's employees and that the Company was and is entitled to a 12 month injunction against all but one of the former brokers, and also against BGC, as well as financial remedies. The Judge dismissed BGC's counter-claim against the Company. BGC's appeal against some of the grounds in the Judgment was heard in December 2010. On 22 February 2011 the Court of Appeal handed down its Judgment which rejected all the appeals lodged by BGC. The Company is seeking substantial damages from BGC. The damages trial has been fixed for four weeks commencing in March 2011.

Legal action continues to be pursued against BGC and former employees in the United States. The subsidiary companies in the United States directly affected by the raid have brought a claim against BGC in arbitration pursuant to the rules of the Financial Industry Regulatory Authority ('FINRA'). The outcome of this case is unlikely to be determined before 2012.

A separate action brought by Tullett Prebon plc issued in the United States Court for the District of New Jersey against BGC alleging, among other causes of action, violations of the New Jersey RICO statute has been dismissed, and is under appeal. This case was dismissed by the Judge on technical grounds, in part based on the pendency of the FINRA arbitration, and which did not consider the merits of the claim. This appeal is likely to be heard in 2012.

Legal action also continues to be pursued against former employees in Hong Kong and Singapore who have unlawfully terminated their employment with the Company in order to join BGC.

Operating review

The tables on pages 09 and 10 analyse revenue and operating profit for 2010 compared with 2009. 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 2010 shown on pages 09 and 10 are presented both as reported, and calculated using translation exchange rates for 2009 consistent with those used for 2010. The following commentary refers to growth rates at constant exchange rates.

Revenue in most product areas was higher in 2010 than 2009 reflecting the strength of the business in the traditional 'flow' products of foreign exchange and interest rate swaps, and the continuing development of the Energy business.

Within Treasury Products, good growth in forward FX in all three regions, particularly in emerging market forward FX including non-deliverable forwards, offset a decline in revenue from cash and deposits broking. FX options revenue was little changed.

Similarly, within Interest Rate Derivatives, revenue growth was driven by the strong performance in emerging market interest rate derivatives across all three regions. Revenue from G7 interest rate swaps and interest rate options was also higher than last year.

The decline in revenue in Fixed Income reflects the impact of the broker defections in North America, together with the decline in activity in credit derivatives in both Europe and North America, and in agency bonds in North America. The traditional 'flow' European government bond business continued to perform well, boosted by the volatility in those markets in periods during the year, and the business increased market share in exchange traded futures and options.

In Equities, the decline in revenue was primarily driven by reductions in activity in cash equities, including the equities business acquired with Chapdelaine that was exited as part of the satellite office closures. Revenue from equity derivatives was also slightly lower than last year.

Energy markets were relatively buoyant during the year and the Energy business in Europe which covers power, gas and oil products performed strongly, and offset a decline in revenue from the Energy business in North America which is mainly focused on power products.

The Information Sales business 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, the post trade Risk Management Services business has established a significant market share in electronic LIBOR reset matching through the tpMATCH platform that was launched at the end of 2009, and made a substantial contribution to revenue.

Europe
Revenue in Europe was 1% lower than in 2009. Broker headcount in Europe at 807 was 2% higher than a year ago but average revenue per broker declined slightly reflecting the more subdued market. The business continued to perform well in the traditional 'flow' products of foreign exchange, interest rate swaps and government bonds, with revenue held back by slower market activity in the 'volatility' products of FX and interest rate options, and credit and equity derivatives.

In Fixed Income the business maintained its leading position in government bonds and increased market share in exchange traded futures and options, but did experience lower activity in the credit markets for corporate bonds and particularly credit derivatives. Despite the loss of revenue from the cash, forward FX and interest rate swap desks affected by the BGC raid in the first half of 2009, revenue in Treasury Products and Interest Rate Derivatives was little changed with strong growth in emerging markets products (Eastern Europe, Russia, Turkey and South Africa). The Equities business, the smallest product group in Europe, suffered from lower activity in equity derivatives which offset growth in revenue from the development of the alternative investments desk. The Energy business continued to benefit from active markets and delivered strong revenue growth in all three main product areas of oil, power and gas.

North America
In North America, revenue fell by 19%. Almost all this decline was due to lower revenue from those desks affected by the broker defections following the raid on the business by BGC in the second half of 2009, and to the reduction in revenue from desks in the six satellite offices that were closed during the year.

Underlying revenue in North America, excluding the affected desks and the impact of the office closures, was 3% lower than last year, reflecting slightly lower average revenue per broker with broker headcount little changed. Good revenue growth in Treasury Products and Interest Rate Derivatives, particularly from Latin American emerging markets products, was offset by weaker markets in agency bonds and credit derivatives in Fixed Income.

Year end broker headcount in North America at 437 was 7% lower than at the end of 2009, reflecting the 52 brokers who left the business as a result of the closure of the six satellite offices. Adjusting for this, year end broker headcount was 5% higher than last year reflecting the rebuilding of the desks affected by the raid in 2009. Including the 26-strong credit broking team who joined the business at the beginning of 2011, broker headcount on the affected desks is now largely back to the levels before the defections.

Revenue from the desks in the offices that were closed during the year accounted for around 7% of the total revenue in North America in 2010, mainly in Equities and Energy.

Revenue by product group	2010 £m	2009 £m	Change: Reported	Change: Constant Exchange Rates
Treasury Products	**248.4**	238.9	+4%	+2%
Interest Rate Derivatives	**205.0**	192.0	+7%	+5%
Fixed Income	**249.3**	317.1	-21%	-21%
Equities	**67.2**	74.0	-9%	-9%
Energy	**105.8**	100.6	+5%	+5%
Information Sales and Risk Management Services	**32.8**	25.1	+31%	+31%
	908.5	947.7	-4%	-5%

Revenue by region	2010 £m	2009 £m	Change: Reported	Change: Constant Exchange Rates
Europe	**536.1**	542.6	-1%	-1%
North America	**259.0**	318.0	-19%	-19%
Asia Pacific	**113.4**	87.1	+30%	+22%
	908.5	947.7	-4%	-5%

Business Review
continued

Asia

Revenue increased by 22% in Asia. Year end broker headcount of 357 was little changed on last year, with average revenue per broker up by 13% reflecting the strong recovery of market activity in the region due to the return of risk appetite and capital deployed by clients. The increased revenue in 2010 also reflects the development of the Risk Management Services business, much of which is operated from Singapore.

Much of the business in Asia is focused on Treasury Products and Interest Rate Derivatives and revenue grew strongly in these areas reflecting the return of liquidity in regionally based products and market share gains. The business also benefited from investment in the development of other products, including the oil products desks in Singapore and the equity derivatives activity in Tokyo.

Although the three largest centres in the region, Singapore, Hong Kong and Tokyo, represented over 80% of the region's revenue, the business is profitably developing scale in other Asia Pacific financial centres, including the joint venture in Shanghai.

Operating profit

Operating profit and operating margin in Europe were both slightly lower than last year, primarily reflecting the small decline in revenue. Broker employment costs as a percentage of revenue were little changed compared with 2009, and support costs were also in line with last year.

Operating profit in North America nearly halved and the operating margin reduced to 8.7%. The reduction in profitability reflects the reduction in the scale of the business following the broker defections, as although support costs in the region reduced, they still represented a higher percentage of revenue in 2010 than in 2009. Broker employment costs as a percentage of revenue were also higher than a year ago reflecting the increased costs of employment in the light of competitor action and the initial inefficiencies experienced as new hires build up to their full run rate of revenue.

The business in Asia Pacific has a relatively high level of operational gearing, and the operating margin in the region more than doubled with operating profit increased to £9.2m, primarily due to the benefit of increased revenue. Broker employment costs as a percentage of revenue were also lower than last year as the inefficiencies arising from the lower levels of revenue in 2009 were reduced, and support costs were little changed year on year.

Operating profit by region	2010 £m	2009 £m	Change Reported	Change Constant Exchange Rates
Europe	**120.7**	123.2	-2%	-2%
North America	**22.5**	44.4	-49%	-49%
Asia Pacific	**9.2**	3.2	+188%	+168%
Reported	**152.4**	170.8	-11%	-11%

Operating margin by region	2010	2009
Europe	**22.5%**	22.7%
North America	**8.7%**	14.0%
Asia Pacific	**8.1%**	3.7%
	16.8%	18.0%

Financial review

The results for 2010 compared with those for 2009 are shown in the table below:

	2010 £m	2009 £m
Revenue	**908.5**	947.7
Operating profit	**152.4**	170.8
Finance expense	**(12.7)**	(13.8)
Adjusted Profit before tax[1]	**139.7**	157.0
Tax	**(40.8)**	(53.0)
Associates	**1.5**	1.8
Minority interests	**(0.6)**	(0.6)
Adjusted Earnings[2]	**99.8**	105.2
Weighted average number of shares	**214.9m**	213.9m
Adjusted Earnings per share	**46.4p**	49.2p

Note 1. Adjusted PBT reconciles to reported PBT as follows:	2010 £m	2009 £m
Adjusted Profit before tax	**139.7**	157.0
Non cash finance income/(expense)	**1.6**	(0.5)
Reported Profit before tax	**141.3**	156.5

Note 2. Adjusted Earnings reconciles to reported Earnings as follows:	2010 £m	2009 £m
Adjusted Earnings	**99.8**	105.2
Non cash finance income/(expense)	**1.6**	(0.5)
Deferred tax on non cash finance (expense)/income	**(0.5)**	0.2
Prior year tax items	**1.6**	5.9
Tax on capital related items	**6.0**	–
Reported Earnings	**108.5**	110.8

Finance expense

The net finance expense comprises the interest payable on the fixed rate bonds, the interest payable on the floating rate bank debt, the interest income on cash deposits, and the amortisation of debt issue costs which are paid upfront and charged to the income statement over the term of the debt to which they relate.

The reduction in finance expense in 2010 compared to 2009 reflected the full year benefit of the lower interest rates on the bonds which took effect in July and August 2009, and lower interest on the bank debt due to lower interest rates and the lower average amount outstanding, partly offset by the lower interest receivable on cash balances.

Non cash finance income/(expense) items are excluded from adjusted profit before tax and adjusted earnings. In 2010 and 2009 these items comprised only the expected return and interest on pension scheme assets and liabilities. In 2010 these 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 was 29.2% (2009: 33.8%). The reduction in the effective rate compared with 2009 results primarily from the increase in the proportion of taxable profits generated in the UK and Asia relative to the US.

Tax charges and credits arising on non cash finance income/(expense) items, prior year tax items and tax charges and credits on capital related items are excluded from the calculation of the effective tax rate on adjusted profit before tax, as they do not relate to current trading. Prior year tax items primarily reflect the release of tax provisions made in previous years as tax matters are settled. The tax credit on capital related items reflects the tax benefit arising in the US from the write down of goodwill under US GAAP in the local accounts. The statutory effective rate of tax, including these items was 23.8% (2009: 30.0%).

Adjusted Basic EPS

Adjusted Basic EPS is calculated using adjusted earnings shown in the table above and the undiluted weighted average number of shares in issue of 214.9m (2009: 213.9m).

Business Review
continued

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. Since October 2008 the Group's policy is not to hedge balance sheet translation exposure.

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

	Average		Year End	
	2010	2009	2010	2009
US dollar	**$1.55**	$1.55	**$1.57**	$1.61
Euro	**€1.17**	€1.12	**€1.17**	€1.13
Singapore dollar	**S$2.12**	S$2.26	**S$2.01**	S$2.27
Japanese Yen	**¥136**	¥145	**¥127**	¥150

Cash flow and financing

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

	2010 £m	2009 £m
Operating profit	**152.4**	170.8
Share-based compensation	**(0.9)**	(0.4)
Depreciation and amortisation	**9.4**	8.2
EBITDA	**160.9**	178.6
Capital expenditure (net of disposals)	**(12.4)**	(9.4)
Working capital	**(16.5)**	(31.3)
Operating cash flow	**132.0**	137.9
Exceptional items – restructuring cash payments	**–**	(6.8)
Interest	**(11.5)**	(11.7)
Derivative financial instruments	**–**	(10.0)
Taxation	**(27.5)**	(30.4)
Defined benefit pension scheme funding	**(8.8)**	(8.1)
ESOT transactions	**1.7**	1.5
Dividends received from associates/(paid) to minorities	**1.1**	1.2
Acquisitions/investments	**(2.4)**	(3.5)
Sale of investments	**1.7**	–
Cash flow	**86.3**	70.1

In 2010 the Group again delivered a substantial operating cash flow, representing 87% of operating profit. The working capital outflow of £16.5m in 2010 reflects the increase in the broker sign-on prepayment balance, as new sign-on payments during the year were higher than the amortisation. Net capital expenditure of £12.4m relates to investment in electronic platforms and associated infrastructure, and office fit out costs including the new disaster recovery centre in Piscataway, New Jersey, and was slightly higher than the £9.4m of 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 2010 were in line with the profit and loss charge adjusted for the amortisation of debt issue costs.

The cash flow from derivative financial instruments in 2009 related to the maturity of the cross currency interest rate swap, which until October 2008 was designated as a net investment hedge of part of the US dollar denominated net assets, and of the forward FX contract executed at that time to close out the FX position inherent in the swap.

Tax payments in 2010 were lower than in 2009 reflecting the lower tax charge in the year, particularly in the US, where we also received a refund of tax paid in the prior year.

During 2010 and 2009 the Group made regular contributions to its defined benefit pension schemes to match the benefits paid and the administration expenses. In addition, in each of January 2010 and January 2009 contributions of £4.5m were made under agreements with the trustees of the schemes aimed at eliminating the actuarial deficits by 31 December 2010.

Expenditure on acquisitions and investments in 2010 comprised the deferred consideration payments relating to the acquisitions of Primex and Aspen, and the initial consideration for the acquisition of OTC Valuations.

During the year the Group sold its investment in a software development company for initial cash consideration of £1.7m.

At 31 December 2010 the Group held cash, cash equivalents and other financial assets of £425.7m which exceeded the debt outstanding by £67.8m.

At 31 December 2010 the Group's outstanding debt comprised £141.1m Eurobonds due July 2016, £8.5m Eurobonds due August 2014, £210m drawn under an amortising bank term loan facility, and a small amount of finance leases. The term loan was subject to a repayment of £30m in January 2011 with £180m maturing in January 2012. The Group also had a committed £50m revolving credit facility that remained undrawn throughout the year.

On 8 February 2011 the Group entered into £235m of new bank facilities, comprising a £120m amortising term loan facility, and a committed £115m revolving credit facility, which replace the previous bank facilities discussed above. The term loan is subject to repayments of £30m in each of February 2012 and February 2013 with £60m maturing in February 2014. The committed revolving credit facility, which has not been drawn, will also mature in February 2014.

The movement in cash and debt is summarised below:

	Cash £m	Debt £m	Net £m
At 31 December 2009	396.2	(387.2)	9.0
Cash flow	86.3	–	86.3
Dividends	(32.7)	–	(32.7)
Debt repayments/draw downs	(30.4)	30.4	–
Effect of movement in exchange rates	6.3	0.1	6.4
Amortisation of debt issue costs	–	(1.2)	(1.2)
At 31 December 2010	**425.7**	**(357.9)**	**67.8**

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.

During 2010 the value of the schemes' assets has increased from £137.7m to £169.5m reflecting strong investment returns and the additional contributions. Under IAS 19 the value of the schemes' liabilities have increased from £139.0m to £145.9m, resulting in a net surplus at 31 December 2010 of £23.6m (2009: net deficit £1.3m).

Triennial actuarial valuations of both schemes were undertaken during 2010. These actuarial valuations concluded that each scheme has a significant funding surplus. As a result, the Group agreed with the trustees of each scheme that, with effect from February 2011 until the next actuarial valuation, contributions will be equal to the schemes' administration expenses.

Return on capital employed
The return on capital employed in 2010 was 40% (2009: 47%) which has been calculated as operating profit divided by average shareholders' funds adding back cumulative amortised goodwill and acquisition related reorganisation costs net of tax, less net funds, and adjusting for the IAS 19 pension surplus or deficit.

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 at 31 December 2010 was £461m (2009: £358m).

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 any additional capital is required 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.

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. The Group maintains a significant excess of financial resources in such entities.

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 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.

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 assigned a risk rating. Action is taken by the Board to manage the key risks, as appropriate, 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. The Risk Assessment Framework is used to identify the risks to be considered in the Internal Capital Adequacy Assessment Process ('ICAAP') and to determine the scope 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.

Group Risk Management Principles and Policies

The Group Risk Management Principles and Policies document sets out the principles and policies adopted by the Board to manage the various risks to which the Group is exposed, as identified in the Risk Assessment Framework, and allocates the responsibility for implementing each policy to specific members of senior management.

ICAAP

The Board is responsible for approving the Group's ICAAP, as required by the FSA. The Group is required to ensure that it maintains overall financial resources, including both capital resources and liquidity resources, which are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. The ICAAP formally documents the assessment as to whether the Group's capital and liquidity resources are sufficient to cover the risks identified in the Risk Assessment Framework, and incorporates the results of the liquidity and capital resources stress tests undertaken in accordance with FSA requirements. The ICAAP documentation is regularly updated and formally approved by the Board at least annually.

Executive management

Risk management and the operation of the internal control systems within the Group are primarily the responsibility of the executive directors and 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 for maintaining the Group Risk Management Policies and Procedures document. The Group Risk Control function also provides 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.

Business Review
continued

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.

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.

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).

The Group's Compliance Departments monitor compliance with the various regulatory requirements to which the Group is subject, including those imposed by the UK regulatory regime and 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 2010 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 December 2009. The work included site visits and meetings with senior management, both at Group level and in each of the geographic regions in which Tullett Prebon operates. The findings of all audits undertaken are reported to the Audit Committee and, where appropriate, action taken by management in response to them is tracked and reported to the Audit Committee. The Audit Committee approved the internal audit plan for 2011 at its December 2010 meeting.

Business initiative management process
The Business Initiative Proposal ('BIP') 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 and the potential impact the new business could have on Tullett Prebon's capital resources and liquidity resources.

A BIP proposal must be submitted for all significant business changes, whether this is the introduction of a new product or business line, or a material modification to an existing business line. Each BIP requires authorisation by the appropriate member of senior management.

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 clients' 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 risk arising across the Group is 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, representing the aggregate of the exposures arising from Name Give-Up brokerage receivables, unsettled Matched Principal transactions or cash on deposit.

Pre-settlement risk arises 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. Particular attention is paid to more illiquid markets where the price movement (and hence the 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 Group is exposed to counterparty risk in respect of cash deposits held with financial institutions. The vast majority of the Group's cash deposits are held with highly rated clearing banks and settlement organisations (as set out in the Credit risk analysis in Note 25 to the Accounts).

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 on a Name Give-Up basis, where the Group acts as agent in arranging the trade and is not a counterparty to the transaction. 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.

Business Review
continued

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, rapid technological change and a continually evolving regulatory framework. Failure to adapt to changing market dynamics, customer requirements or 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, the continued development of new products and the Group's electronic broking capability, 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.

In addition, the Group maintains active dialogues with regulators and other competent authorities responsible for the drafting and implementation of relevant regulatory reforms, to ensure that any changes to the regulation and operation of OTC markets achieve their stated objectives and avoid unintended negative consequences.

5. Governance risk
Governance risk is the risk of loss or damage to the business arising as a result of a failure of management structures or processes. This includes failure to adhere to applicable corporate governance requirements (such as those imposed by the UK Corporate Governance Code), a failure to ensure adequate succession to key management positions, or the inappropriate use of authority and influence by current or former senior members of staff.

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 function and the Group Treasury and Risk Committee. Succession planning within the Group is overseen by the Board.

6. Regulatory, legal and human resource risk
This risk concerns the potential loss of value due to regulatory enforcement action (such as for breaches of conduct of business requirements or market abuse provisions); 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 applicable laws and regulations could have a serious adverse impact on the business.

The Group's lead regulator is the FSA, but the Group is also subject to the requirements imposed by the regulatory framework of the other jurisdictions in which the Group operates. The Group's compliance officers monitor compliance with applicable regulations and 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 margin calls and failed settlements), interest rate risk, currency risk, taxation risks, and pension obligation risk.

Liquidity risk – The Group seeks to ensure that it has access 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 cash equivalent balances are held with the primary objective of capital security and availability, with a secondary objective of generating returns. Funding requirements are monitored by the Group Risk and Treasury Committee.

The Group is exposed to potential margin calls from clearing houses and correspondent clearers, both in the UK and US. Following a major project to mitigate its exposure to margin calls completed in 2009, the Group has not been subjected to any significant margin call requirements. However, the Group remains alert to the risk of large margin calls in the future.

As a normal part of its operations, the Group has a 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 the business has received a security from the selling counterparty (and has paid cash in settlement of the same) but is 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 until delivery of the security is effected. Certain facility providers require collateral (such as a cash deposit or parent company guarantee) to protect them from any adverse mark-to-market movement, and some also charge a funding fee for providing the facility.

In the event of a liquidity issue arising, the firm has recourse to existing global cash resources after which it could draw down on a £115m committed revolving 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, 25 and 31.

Interest rate risk – The Group is exposed to interest rate risk due to the short term nature of its cash deposits, which are typically held at maturities of less than three months, primarily for liquidity and other operational reasons. The exposure on sterling cash is partially hedged by rolling the term loans under the bank facility for similar short term periods. Cash denominated in currencies other than sterling is not hedged and remains at short term floating rate. 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 25.

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 currency exchange rate 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 25.

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 that the Group is required, in the short and medium term, to fund a deficit in any of the Group's defined benefit pension schemes.

The latest triennial actuarial valuations of the two UK defined benefit schemes undertaken during 2010 show that both schemes have a substantial funding surplus. As a result, the trustees of both schemes have agreed that no further funding contributions are required, pending the next actuarial valuations.

Business Review
continued

Corporate social responsibility

Introduction
Throughout the reporting period the Company continued to provide support for the efficient operation of the global capital markets, which helped to ensure that 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 found continued 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 remittances.

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 permitted by its various licences.

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').

The Company's CSR Governance Committee, which was established in 2009 in recognition of the increasing importance of the CSR agenda and which comprises all members of the Company's Executive Committee, oversaw and helped refine the CSR activities of the Company in 2010. This Committee and its members in their executive roles will continue to oversee and guide the CSR activities of the Company, reflecting the continued importance the Company places on this broad and increasingly visible 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, professional and other support staff, and management remain crucial to the Company's ongoing success. Management recognise that the Company's ability to maximise returns to shareholders is dependent on employing and retaining the best staff in all the geographies in which it operates. The Company is committed to developing and motivating its staff and offers training where appropriate and measures performance to achieve this objective.

Building on the management training review conducted in 2009 as part of the succession planning process, the Company undertook an extensive middle management career development programme across its European businesses in 2010. This involved some 50 directors and desk heads from the United Kingdom, France, Germany, Luxembourg, Poland and Switzerland completing a financial analysis and training package designed and delivered by staff from one of the United Kingdom's leading business schools. Concurrent with the director and desk head development programme, a parallel development programme for the Company's Managing Directors across its European offices was also launched and will continue into the subsequent reporting period. Together, these two development programmes will provide the foundations for the Company's succession planning in its European region.

The productivity and welfare of employees in a business so dependent on people, such as Tullett Prebon, continued to attract considerable senior management attention, and management at all levels are aware of the importance of active engagement with employees.

To this end, the Company maintains effective internal communications channels at both group and regional levels to ensure staff are informed in a timely way about major developments in the business, such as the launch of new products, key hires, and financial announcements. Information is provided to employees regularly through integrated and complimentary channels such as internal emails, the Company's intranet site, print collateral and town hall meetings, as appropriate. The use made of posters for internal communications across all the Company's offices was reviewed in 2010 and will provide for an enhanced communications channel going forward.

Staff welfare remains a serious matter for the Company especially given the demanding nature of the broking environment. Day to day 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 and the further use of an occupational health specialist if required. The Company's policies on health and safety provide a formal framework for line management responsibilities in this area to be discharged.

Records on employment and pastoral care matters are maintained as required in each legal and regulatory jurisdiction. These help to provide senior management with a metric to measure both the performance and welfare of staff:

- In 2010 the average revenue generated by each broker was £540,000 (2009: £565,000);
- The Company employed 2,461 full time equivalent employees and directors worldwide in 2010 (48% in Europe, 30% in North America and 22% in Asia Pacific) compared to 2,479 staff in 2009 (45% in Europe, 33% in North America and 22% in Asia Pacific). Total remuneration for all staff in 2010 was £555m (2009: £566m);
- Claims for compensation for work-related accidents and illnesses remained minimal in 2010 with two claims for Worker's Compensation in the US which resulted in 221 workdays total absence. There were no such claims in the UK or Asia Pacific. (In 2009 there was only one claim in the US with none in the UK or Asia Pacific);
- In 2010 there was a further reduction in absence due to short term employee sickness in the UK and in Asia Pacific, in terms of both total days taken and average time off work. In the UK the Company lost 1,679 sick days (2009: 2,080 sick days) and the average time off work due to short term sickness was 1.70 days per employee (2009: 2.18 days). In Asia Pacific 1,175 days were lost due to short term sickness (2009: 1,200 days), an average of 2.13 days per employee (2009: 2.23 days). 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 1.77 workdays per employee compared to 1.50 days per employee in 2009; and
- 2010 saw 2 minor reported staff accidents in the UK, compared to 11 in 2009. Again, no visitors suffered injury on Company premises during 2010.

As the Company is highly dependent on its employees the retention of key personnel remains one of management's core tasks. 2010 has continued to present challenges in this regard, but management believe that, in the ordinary course of its business, retention policies in general have proved successful in retaining staff at all levels.

To better track the health of the Company in respect of staff retention beyond the simple end-of-year headcount numbers, which whilst useful as a general guide does not help with developing an understanding of retention in a qualitative way, the Company monitors length of service of all staff. This provides a more qualitative measure as it implicitly reflects staff attitudes to employment with the Company, as a dissatisfied workforce would be expected to be highly fluid with few long serving members of staff. This approach has the added merit of being able to be delivered within existing resource constraints.

Accordingly, the Company records percentages of staff, by region, that have five and ten years or more service. In the US 55.4% (2009: 55.5%) of employees have five plus years service, and 38.6% (2009: 34.7%) have ten plus years service. In the UK the percentages are 55.9% (2009: 54.9%) and 32.9% (2009: 31.6%), and in Asia Pacific the percentages are 41.0% (2009: 31.5%) and 15.8% (2009: 18.7%) respectively.

	US		UK		Asia Pacific	
	2010	2009	2010	2009	2010	2009
5 years + service	**55.4%**	55.5%	**55.9%**	54.9%	**41.0%**	31.5%
10 years + service	**38.6%**	34.7%	**32.9%**	31.6%	**15.8%**	18.7%

Business Review
continued

To help alleviate the high-stress work environment the Company's pastoral care programme has continued to respond to staff requests for an improved work/life balance and specifically for support with access to improved physical exercise and active outdoor pursuits. The business benefits of this are clear and are evidenced in the dictum *mens sana in corpore sano.* Accordingly, the Company has been keen to support the provision of a general physical fitness agenda where there is demand for it and as resources allow.

In 2009 the Company introduced a scheme to provide team clothing to staff taking part in team and other sports competitions. This scheme has continued in 2010 with over 10% of the Company's staff globally taking part in some form of regular team based or other competitive physical sport: cycling, running and football being the most popular activities. The Company continued to provide military style circuit training for its London based staff and this programme remained oversubscribed. In addition, the UK government's Cycle to Work scheme has seen a further 93 staff purchase cycles in the reporting period, on top of the 133 who took advantage of this scheme in 2009. Yet again, and in response to staff demand, the Company provided resources in 2010 for staff to participate in the annual JP Morgan Chase runs in London, New York and Singapore.

Management hope that the Company's support for physical activities and exercise will improve staff welfare and general health, and thereby contribute to an improved work/life balance.

Support has also been given to employees in the UK with access to childcare provision and charitable giving, by the Company running salary sacrifice programmes for these two schemes.

Social and community issues

Service in the Volunteer Reserve Forces

Recognising that 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) continue to provide a critical component of the Armed Forces of both countries, the Company amended its terms of employment in the Staff Handbook to reflect the commitment it had made to provide additional support to its employees who are members of the reserve forces in these two countries. In the UK by providing one additional week of paid leave to help a volunteer complete his or her annual training commitment. In the US 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.

In furtherance of this support, the Company also signed up to the UK Ministry of Defence's employers organisation SaBRE which seeks to foster greater understanding between the Armed Forces, employers and service personnel.

During this reporting period one of the Company's employees, a member of the UK's Territorial Army, has been mobilised and is currently serving in an infantry unit in Afghanistan.

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 five 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 2010 of £267m (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

Tullett Prebon continued its engagement in the public policy debate surrounding the future of the financial services sector. Notwithstanding being a relatively small UK listed entity the Company, using its position at the very heart of the capital markets which gives it an informed view available to very few others, was consistently able to punch above its weight.

Continuing the pattern established in the previous reporting period, the Company concentrated on three strands of public policy activity during 2010:

– Deepening involvement with the several trade and other professional bodies that the Company is a member of. In particular further financial support was provided to the Wholesale Markets Brokers Association ('WMBA') in the UK, and to the Wholesale Markets Brokers Association of the Americas ('WMBAA') in North America, who are the inter-dealer brokers' trade bodies. Both of these organisations now have active and well resourced lobby programmes seeking to engage with lawmakers, officials and regulators in their respective jurisdictions. In addition, the Company has continued to develop its involvement with other key professional and industry specific bodies in all the countries in which it has an office. Focusing the Company's representation in the key trade bodies in one member of the Company's Executive Committee has ensured coordinated and effective advocacy throughout the reporting period;

– The Company's Chief Executive Officer continued his engagement in public debate on issues relevant to the financial services sector, where appropriate and where opportunity arose; and

– The Company's Global Head of Research, who was recruited into a new post established in 2009 to increase the Company's visibility in, and penetration of, the public policy arena, was very active publishing papers addressing the principal economic themes of 2010. Two products were developed during the reporting period: Strategy Insights, larger and in-depth papers of which six were published in 2010; and Strategy Notes, shorter and quicker to write, and designed to respond to "issues of the moment" of which 21 were published in the reporting period. Considerable traction has been achieved with this product and the Company's visibility in serious political commentary has increased as a consequence.

The Company's public policy engagement programme will continue into the subsequent reporting period as required by the debate surrounding the reform and regulation of the financial services sector, to ensure that the Company is able to continue to develop and to grow shareholder value.

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 ('GHG'), 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 continues to minimise business travel and increasing use is still made of video and telephone conferencing.

With the assistance of specialist external consultants a Group-wide environmental policy was developed and adopted during the reporting period, as was an environmental policy specifically for the UK. The Company's procurement policy similarly contains a strong statement in support of the environmental policy:

"It is TP's policy to encourage awareness and commitment to improved environmental performance amongst its people, suppliers and clients. In this regard, our procurement choices will favour products showing clear environmental advantages unless there are significant reasons for not doing so."

Anticipating the introduction of Carbon Reduction Commitment ('CRC') obligations on UK companies in April 2010 the Company took advice from professional specialist consultants and was prepared to comply with CRC requirements when the scheme came into force. Similarly, during 2010 the Company prepared to meet the new requirements for reporting on GHG under the Climate Change Act 2008, which are expected to come into force in 2012, by introducing the necessary monitoring of its GHG emissions. With this in mind, the Company completed a second carbon footprint and GHG audit in its key geographies for 2010 which will allow it to compare its emissions with its benchmark year of 2008, and to comply with the new reporting requirements when they come into force in 2012.

The Company's environmental management system ('EMS') has been successful in achieving savings in energy use at the Company's two largest properties in the UK in 2010 compared to 2009: the trading floor at 155 Bishopsgate and the Company's head office, both in the City of London, have seen reductions in energy consumption of 12.2% and 16.0% respectively, representing a saving of circa £60,000.

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 2010. 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 DTCC, 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 number of international banks to provide banking services and credit facilities. The new committed facilities are provided by five banks, The Royal Bank of Scotland, Lloyds Banking Group, HSBC, Bank of America and the Australia and New Zealand Banking Group. Further analysis of the Group's debt structure can be found in Note 21.

Terry Smith
Chief Executive
8 March 2011

Governance

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Board of Directors

Keith Hamill (aged 58)
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 Non-executive Chairman of Alterian plc, Deputy Chairman of Travelodge, a Non-executive Director of easyJet plc and Samsonite and Pro-Chancellor of Nottingham University. He is also a partner in Fundsmith LLP. 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 57)
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 FINRA. He has been Chief Executive of Tullett Prebon plc since December 2006, and until December 2010, when he resigned from the Board, he was also Deputy Chairman of Collins Stewart plc. In November 2010 Terry Smith launched Fundsmith, a fund management company, of which he is Chief Executive.

Paul Mainwaring (aged 47)
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 63)
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 Financial Services Authority until March 2003. He is a Non-executive Director of 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 58)
Independent Non-executive Director
Michael Fallon was re-appointed as a Director of Tullett Prebon plc in September 2010. He is a member of the Remuneration, Audit and Nominations Committees. He had previously served as a Director of the Company from December 2006 to May 2010 and as a Director of Collins Stewart Tullett plc from September 2004 to December 2006. He is the Conservative MP for Sevenoaks and is a member of the Treasury Select Committee of the House of Commons. He was Opposition spokesman on Trade and City matters from 1997-1998. He is a Director of Attendo AB, a provider of long term care in Scandinavia and was previously a Director of Just Learning Ltd, Quality Care Homes PLC and Bannatyne Fitness Ltd.

Richard Kilsby (aged 59)
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 50)
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 Non-executive Director of London Metal Exchange Holdings Ltd, 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 OJSC Nomos-Bank.

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 2010.

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 37 to the consolidated financial statements.

Results and dividends

The results for the year are set out in the Consolidated Income Statement on page 42.

The directors recommend a final dividend for the year of 10.5p per ordinary share. The final dividend, if approved, will be paid on 19 May 2011 to ordinary shareholders whose names are on the register on 26 April 2011.

Tullett Prebon plc paid a final dividend for 2009 of 10.0p per ordinary share and an interim dividend for 2010 of 5.25p per ordinary share.

Business review

The information that fulfils the requirements of the Business Review can be found on pages 05 to 23. 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 Corporate Social Responsibility 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 28 to 31 and which is, where relevant, 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, except as noted, 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)
– resigned 1 June 2010
– re-appointed 28 September 2010

Richard Kilsby
(Independent Non-executive Director)

Rupert Robson
(Independent Non-executive Director)

Biographical details of the directors are set out on page 25.

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:

	2010 Number	2009 Number
Keith Hamill	**80,299**	80,299
Terry Smith	**9,645,510**	9,245,510
Paul Mainwaring	**221,339**	123,683
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 1,196 shares at 31 December 2010 (2009: 555,631) and the Tullett Prebon plc Employee Benefit Trust 2007 held 200,833 shares (2009: 677,797). 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 26 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 (the 'Articles') 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 28 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, the UK Corporate Governance Code (which applies to the Company with effect from 1 January 2011), 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 2011, 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 28 to 31. The Schedule of matters reserved for the Board is incorporated into this Directors' Report by reference.

Substantial interests
At 7 March 2011, 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	12.02
Jupiter Asset Management Limited	5.09
JP Morgan Asset Management Holdings Inc.	4.89
Legal & General Group Plc	3.94
Norges Bank	3.11

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 12 May 2011. 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 2010 no political donations were made by the Group (2009: £nil). No charitable donations were made during 2010 (2009: £nil).

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

Disclosure of information to the auditor
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 auditor is 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 auditor is 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 2011

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 2010 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 2010 is outlined below. For the financial year commencing on 1 January 2011 the Company is subject to the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. The Combined Code and the UK Corporate Governance Code are publicly available at 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 2010, except that Michael Fallon resigned as a non-executive director with effect from 1 June 2010 and was re-appointed as a non-executive director on 28 September 2010. The directors' biographies are shown on page 25 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 Financial Services Authority, 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 56 (non-executive directors, including the Chairman – 58) 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 six years.

The Chairman, Keith Hamill was, at appointment, independent of the Company and the management, but, as Chairman, is not classified as independent. His other significant commitments are noted in his biography on page 25.

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. On 1 April 2010 Terry Smith handed over the Chairmanship and served as Deputy Chairman until 6 December 2010 when he retired as a director. Terry Smith received fees of £97,744 for the year ended 31 December 2010 from Collins Stewart plc, 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 32 to 38. 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

The Board has determined that all four of the non-executive directors are independent.

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 and professional development

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. Regular presentations are made to the Board by members of the Company's Executive Committee, and arrangements are made for non-executive directors to meet members of the management teams and they attend the Company's management conferences. Non-executive directors regularly 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.

During the year the independent non-executive directors, led by the Senior Independent Non-executive Director, reviewed the external business commitments of members of the Board and concluded that none of these gave rise to conflicts of interest or other factors which might affect the effective operation of the Company or the Board.

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 2010 and March 2011, 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 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

Under the Company's Articles of Association (the 'Articles') 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.

Michael Fallon is subject to election at the AGM in May 2011, as he was re-appointed since the last AGM. Michael Fallon first joined the Board of Collins Stewart Tullett plc in September 2004.

David Clark and Richard Kilsby will seek re-election at the AGM in May 2011. David Clark joined the Board of Collins Stewart Tullett plc in March 2003. Richard Kilsby joined the Board of Collins Stewart Tullett plc in June 2005.

The Board is satisfied that, following particularly rigorous review given the length of service of these directors on the Board of the Company and its predecessor company, and after formal performance evaluation, each of these directors' performance continues to be effective, and each demonstrates commitment to their role.

Following review during 2010 the Board concluded that David Clark should continue to act as the Senior Independent Director until a successor is identified.

Under the new UK Corporate Governance Code all directors of FTSE 350 companies should be subject to annual re-election by shareholders. The Company expects that it will transition to adopting this policy for the AGM in 2012 when the Company also intends to seek shareholder approval to amend the Articles to replace the current requirement for directors to retire by rotation after three years with a requirement for directors to seek annual re-election.

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). 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 Board and Committee attendance record during the year:

	Board*	Audit Committee	Remuneration Committee	Nominations Committee
Executive Directors				
Terry Smith	8/8	–	–	–
Paul Mainwaring	8/8	–	–	–
Non-executive Directors				
Keith Hamill	8/8	–	–	2/2
David Clark	8/8	4/4	5/5	2/2
Michael Fallon**	4/5	2/2	3/5	–
Richard Kilsby	8/8	4/4	4/5	2/2
Rupert Robson	8/8	4/4	5/5	2/2

* Excludes meetings of committees of the Board appointed to complete business approved by the Board or routine business.
** During 2010 Michael Fallon served as a director from 1 January to 1 June and from 28 September onwards. In the period when Michael Fallon was a director there were no meetings of the Nominations Committee.

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.

Corporate Governance Report
continued

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 auditor at least once a year without executive directors being present, to ensure that there are no unresolved issues of concern.

Throughout 2010 the Committee's terms of reference included:
- recommendation on appointment of the external auditor;
- review of independence and objectivity of the external auditor;
- 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.

The Audit Committee has reviewed the cost effectiveness, objectivity and independence of the external auditor, and the level of fees received in respect of the various services provided by them in addition to the audit during 2010. The non-audit fees paid to the auditor are disclosed in Note 6 to the accounts. The auditor 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 auditor's representations. The Company's policy is to use the most appropriate advisers for non-audit work, taking account of the need to maintain independence. The Audit Committee has approved a formal policy governing the engagement of the external auditor for non-audit services.

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 Financial Services Authority.

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.

The Board has delegated the following responsibilities to the Remuneration Committee:
- reviewing and approving the general principles of the Company's remuneration policies;
- reviewing the relationship between incentives and risk;
- determining the application of the Company's remuneration policies to the Executive Directors;
- determining the remuneration of Executive Directors and the Chairman;
- reviewing the application of the Company's remuneration policies to Senior Management, Brokers and other employees;
- approving the remuneration of Senior Management after consultation with the Chief Executive; and
- approving all share and long term incentive schemes and their application.

The Chairman and the executive directors attend certain parts of certain meetings of the Remuneration Committee by invitation. The Chairman and the executive directors do not attend meetings where their own remuneration is being discussed.

During 2010 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 set out on pages 32 to 38.

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.

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.

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 2010, 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, 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 39 and the independent auditor's report regarding their reporting responsibility is on page 41.

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 23. Analysis of the Group's key risks and approach to risk management is also set out in the Business Review on pages 15 to 19. Details of the Group's interest bearing loans and borrowings, obligations under finance leases, derivative financial instruments, long term provisions, other long term payables and financial instruments are set out in Notes 21 to 25.

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

After making enquiries, 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 2010. 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 12 May 2011.

The Companies Act 2006 requires the auditor 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 'Long term share incentive plans' and '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 (other than the 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 30, and that section of the Corporate Governance Report is incorporated into this Report on Directors' Remuneration by reference. The Remuneration Committee is responsible, on behalf of the Board, for:

- reviewing and approving the general principles of the Company's remuneration policies;
- reviewing the relationship between incentives and risk;
- determining the application of the Company's remuneration policies to the Executive Directors;
- determining the remuneration of Executive Directors and the Chairman;
- reviewing the application of the Company's remuneration policies to Senior Management, Brokers and other employees;
- approving the remuneration of Senior Management after consultation with the Chief Executive; 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.

Developments during 2010

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 2010 there has been a considerable amount of regulation and guidance issued on remuneration in the financial services sector, most notably the FSA's Policy Statement on Revising the Remuneration Code (the 'Remuneration Code'), to which the Company is now subject. The Company is a Tier Four firm for the purposes of the application of proportionality under the Remuneration Code. The Company's remuneration policies and the Remuneration Committee's terms of reference were reviewed in the light of the Remuneration Code. The revised remuneration policies are set out below and the revised terms of reference are available on the Company's website. As a result of the changes made, the Remuneration Committee is satisfied that the Company's remuneration policies, processes and governance were in compliance with Principles 1 to 11 of the Remuneration Code by the end of 2010, as required. The Remuneration Committee is conscious of the obligation on the Company to comply with those aspects of Principle 12 of the Remuneration Code that apply to it by no later than the end of June 2011.

Professional advice

During 2010 and subsequently the Remuneration Committee received advice from PricewaterhouseCoopers executive compensation consultants (PwC) on regulatory developments affecting remuneration, 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 2010 and subsequently PricewaterhouseCoopers LLP have also provided outsourced internal audit services, tax advice, and other associated services.

Remuneration policies

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 Company's remuneration policies are designed to attract, motivate and retain staff with the necessary skills and experience to deliver the strategy, in order to achieve the Company's objective.

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 in the Annual Report. 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 1-3 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 Company's remuneration policies reflect the low risk profile of the Company, are consistent with and promote sound and effective risk management, and do not encourage risk taking.

The Remuneration Committee considers that the Company's remuneration policies are consistent with the measures set out in the business's compliance manuals relating to conflicts of interest.

In common with other businesses operating in the sectors in which the Company operates, 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 application of this policy takes account of general practices in the parts of the financial services sector in which the Company operates, which is characterised by high levels of remuneration dependent upon the achievement of correspondingly high levels of performance, in contrast to many other sectors. It is considered that failure to do so would not be in the best interests of shareholders.

The Company's 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 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.

4. Discretionary bonuses for an individual, and in aggregate for the Executive Director and Senior Management population, are determined taking into account the overall performance of the business and its regulatory capital requirements. As the business does not take any trading risk and does not hold principal trading positions, does not have valuation issues in measuring its profits, and does not retain any contingent risks, it is not necessary for the determination of bonuses to reflect an adjustment for risk in reviewing financial performance.

5. The payment of discretionary bonuses to the Executive Director and Senior Management population is at least two months after the end of the financial year. The business realises its revenues in cash within a short time frame, and all of the reported revenues will have been realised in cash before these bonuses are paid.

6. Discretionary bonus payments to the Executive Directors are subject to deferral through the requirement for an element of the bonuses to be invested in the Company's shares which are to be held for a period before they can be realised. Given the Company's risk profile, as discussed above, it is not considered necessary for the discretionary bonuses paid to Senior Managers to be subject to deferral, or to attach claw back conditions to bonuses paid to Executive Directors or Senior Managers.

7. 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.

8. The Remuneration Committee does not believe that the formal capping of performance bonuses is consistent with the delivery of enhanced returns to shareholders. In addition, it is not appropriate to apply percentages or multiples of salary to the determination of bonuses given the policy of paying fixed remuneration of a relatively low proportion of overall remuneration.

9. Long term incentive plans have been utilised in the recent past, where appropriate, to motivate the Company's executive management. 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 long term equity based incentives to Senior Management is not consistent with market practice in the Company's key competitor organisations and consequently no further awards will be made to Senior Management under the Long Term Incentive Plan for the foreseeable future.

10. The Company provides defined contribution pension arrangements only and does not pay discretionary pension benefits.

11. The Company provides employees with medical insurance but otherwise seeks to avoid the provision of benefits in kind.

The Company's remuneration policy for Brokers is based on the principle that remuneration 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. These formulae take into account the fixed costs of the Brokers and the commission payments are therefore based on the profits that the Brokers generate for the business. 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, 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.

Report on Directors' Remuneration
continued

The Company's remuneration policy for employees engaged in functions such as Compliance, Legal, HR, Finance and Risk Control, is that remuneration is adequate to attract qualified and experienced staff, is in accordance with the achievement of objectives linked to their functions, and is independent of the performance of the business areas they support. Employees in such functions report through an organisation structure that is separate and independent from the business units. The heads of such functions report to members of the Executive Committee and as Senior Management their remuneration is reviewed and approved by the Remuneration Committee.

The Company's policy is to ensure that variable remuneration is not paid through vehicles or methods that facilitate avoidance of the Remuneration Code.

The implementation of the remuneration policies set out above is subject to annual independent review.

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.

As set out in the Report on Directors' Remuneration in last year's Annual Report, 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 ('WACC') is currently approximately 11.5%.

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 these factors 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 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.

Bonus for 2010

The annual performance bonus pool for 2010 for the Executive Directors, determined using the formula above and a WACC of 11.5%, is a range of £4.34m-£4.89m.

In determining the total annual bonuses for the Executive Directors within this range, the Remuneration Committee assessed that the Executive Directors had met their individual objectives, and that the Company had performed well relative to market circumstances. However, the operating profit of the Company in 2010 was lower than in 2009, and it was considered that the annual bonuses should be lower than 2009 in a similar proportion. As a result, the total annual bonuses for Executive Directors for 2010 were determined to be £4.615m (2009 bonuses: £5.0m). The allocation of the bonuses to each of the Executive Directors is shown below.

Consistent with the approach taken for the 2008 and 2009 annual bonuses, one-half of the 2010 annual bonuses for each of the Executive Directors is awarded on condition that the net of tax amount will be invested in the Company's shares, to be held for a minimum of two years.

Bonus for 2011

The Remuneration Committee intends to apply the formula set out above to determine the bonus pool for the Executive Directors for 2011.

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 auditor. Assessment of market-based performance conditions is undertaken by the Remuneration Committee's independent remuneration consultant.

The Tullett Prebon Long Term Incentive Plan ('LTIP') was approved by shareholders in 2006. The initial grants were made in 2008 at 200% of salary plus bonus. Subsequent awards 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 inter-dealer broker sector.

The Remuneration Committee has also taken into account the pay and employment conditions of other employees in the Company, particularly the remuneration of Senior Management, in determining Executive Directors' remuneration. The Company aims to reward all employees according to the nature of their role, their performance and market forces, and therefore does not have a policy on the ratio of Executive Directors' remuneration to that of other groups of employees in the Company.

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. Including the value of the LTIP awards as at the date of grant in total remuneration, for 2010 the proportion of remuneration that is related to performance for Terry Smith was 90% (2009: 90%) and for Paul Mainwaring was 84% (2009: 87%).

Long term share incentive plans

Tullett Prebon Long Term Incentive Plan

Shareholder approval was granted in November 2006 for the discretionary long term incentive plan, the LTIP. 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 ('ROCE') 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 (March 2011).

As the 2010 operating margin is less than 17.5%, none of the awards made in 2008 will vest.

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 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.

2010 Awards

For two-thirds of the awards made in 2010, 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 2012 relative to the TSR over that period of all other companies comprising the FTSE 250 (excluding investment trusts) at 1 January 2010 is 50th, with maximum vesting of 100% if the ranking percentile is 25th or better. For one-third of the awards made in 2010, minimum vesting of 25% of the awards will be achieved if the Company's annualised TSR over the three years to 31 December 2012 is equal to RPI +4.5%, with maximum vesting of 100% if annualised TSR is equal to RPI +9.5% or above. Vesting of awards is subject in all cases to achieving in 2012 a ROCE of not less than 25% on operating assets and goodwill, including on future acquisitions. The Remuneration Committee considers that the use of both relative and absolute TSR measures 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 2010 are in the form of share options, exercisable for £1 in total.

Report on Directors' Remuneration
continued

Details of directors' remuneration
Total emoluments received by directors during the year ended 31 December 2010 were as follows:

	Salaries and fees		Benefits		Bonuses				Total	
					Cash		Subject to investment requirement			
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Executive Directors										
Terry Smith	**650**	650	**2**	2	**1,846**	2,000	**1,846**	2,000	**4,344**	4,652
Paul Mainwaring	**275**	275	**1**	1	**462**	500	**461**	500	**1,199**	1,276
Non-executive Directors										
Keith Hamill	**150**	150	**–**	–	**–**	–	**–**	–	**150**	150
David Clark	**50**	45	**–**	–	**–**	–	**–**	–	**50**	45
Michael Fallon	**33**	45	**–**	–	**–**	–	**–**	–	**33**	45
Richard Kilsby	**50**	45	**–**	–	**–**	–	**–**	–	**50**	45
Rupert Robson	**50**	41	**–**	–	**–**	–	**–**	–	**50**	41
	1,258	1,251	**3**	3	**2,308**	2,500	**2,307**	2,500	**5,876**	6,254

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 2010 (2009 awards in brackets):

Terry Smith:
- £1.846m (2009: £2.0m) in cash; and
- £1.846m (2009: £2.0m) to be awarded on condition that the net of tax amount is invested in the Company's shares, to be held for a minimum of two years.

Paul Mainwaring:
- £461.5k (2009: £500k) in cash; and
- £461.5k (2009: £500k) to be awarded on condition that the net of tax amount is invested in the Company's shares, to be held for a minimum of two years.

2010 is the third successive year for which the Remuneration Committee has determined that 50% of the annual bonus awarded to each of the Executive Directors is on condition that it is invested in the Company's shares, to be held for a minimum of two years. The investments made in the Company's shares by the Executive Directors with 50% of the bonuses awarded for 2008 can now be divested, and the Remuneration Committee has determined that the investment condition for the 50% of the bonuses awarded for 2010 will be met by the Executive Directors being required to hold the requisite number of shares purchased with the 2008 bonuses for a further period of two years.

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 2010	Granted during the year	Exercised during the year	Lapsed unexercised during the year	Shares under option at 1 Jan 2011	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	n/a	18 March 2018
Terry Smith	22 June 2009	671,441	–	–	–	671,441	£1 in total	22 June 2012	22 June 2019
Terry Smith	21 May 2010	–	634,559	–	–	634,559	£1 in total	21 May 2013	21 May 2020
Paul Mainwaring	18 March 2008	360,465	–	–	360,465	–	£1 in total	n/a	18 March 2018
Paul Mainwaring	22 June 2009	284,071	–	–	–	284,071	£1 in total	22 June 2012	22 June 2019
Paul Mainwaring	21 May 2010	–	162,707	–	–	162,707	£1 in total	21 May 2013	21 May 2020

The value of the share options granted during the period to Terry Smith was £2.0m (2009: £1.95m) and to Paul Mainwaring was £0.5m (2009: £0.825m). The lowest closing price of Tullett Prebon plc ordinary shares during the year to 31 December 2010 was 262.2p and the highest closing price was 417.2p. At 31 December 2010 the closing share price was 382.8p.

Benefits

No pension contributions were made in respect of Terry Smith during 2010 (2009: £nil). Paul Mainwaring received pension contributions during 2010 of £6,336 (2009: £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 £2,072 and £811 respectively during 2010.

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. On 1 April 2010 Terry Smith handed over the chairmanship and served as Deputy Chairman until 6 December 2010 when he retired as a director. Terry Smith received fees of £97,744 for the year ended 31 December 2010 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. 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.

Report on Directors' Remuneration
continued

Directors' contracts

The Company's current policy is that Executive Directors' serve under contracts terminable on 12 months' notice with entitlement to salary and contractual benefits subject to mitigation, and with 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:

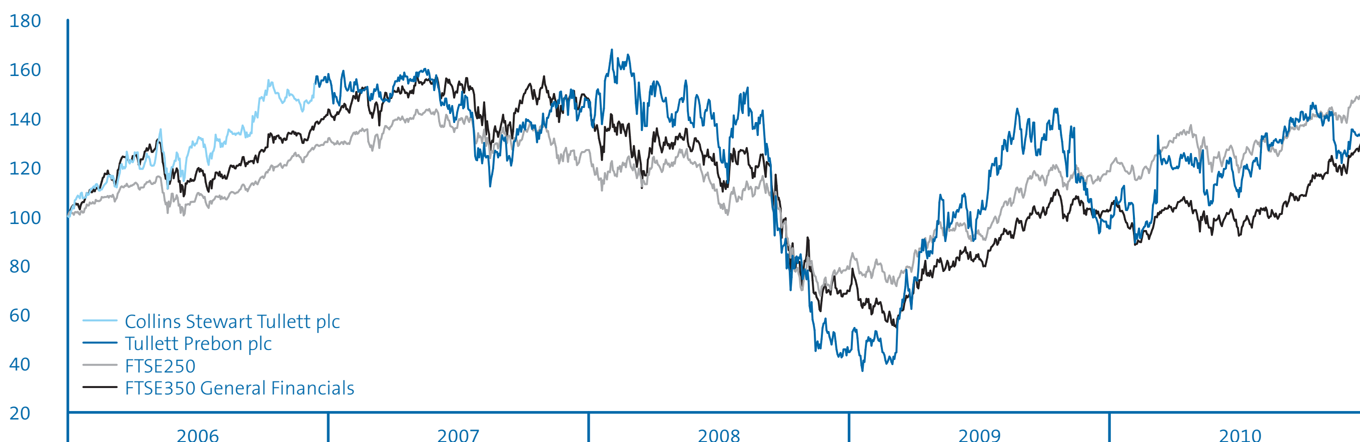
Director	Date of contract
Terry Smith	29 January 2007
Paul Mainwaring	25 September 2006

The 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	28 September 2010
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 2010 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 2011

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 Directors' Remuneration Report 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 2011

Financial Statements

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Independent Auditor's 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 2010 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 auditor's 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 auditor
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 and express an opinion on 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 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 2010 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 Group 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;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter
We have reported separately on the Parent Company Financial Statements of Tullett Prebon plc for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

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

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
8 March 2011

Consolidated Income Statement

for the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Revenue	4	**908.5**	947.7
Administrative expenses		**(764.4)**	(781.2)
Other operating income	5	**8.3**	4.3
Operating profit		**152.4**	170.8
Finance income	8	**11.3**	20.2
Finance costs	9	**(22.4)**	(34.5)
Profit before tax		**141.3**	156.5
Taxation	10	**(33.7)**	(46.9)
Profit of consolidated companies		**107.6**	109.6
Share of results of associates		**1.5**	1.8
Profit for the year	6	**109.1**	111.4
Attributable to:			
Equity holders of the parent		**108.5**	110.8
Minority interests		**0.6**	0.6
		109.1	111.4
Earnings per share			
Basic	11	**50.5p**	51.8p
Diluted	11	**50.3p**	51.2p
Adjusted earnings per share is disclosed in Note 11			

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Profit for the year		**109.1**	111.4
Other comprehensive income:			
Revaluation of available-for-sale assets		**0.3**	0.9
Gain on net investment hedge	22	**–**	2.5
Effect of changes in exchange rates on translation of foreign operations		**9.1**	(17.2)
Actuarial gains/(losses) on defined benefit pension schemes	34	**14.5**	(0.5)
Taxation charge on components of other comprehensive income	10	**(6.8)**	(1.9)
Other comprehensive income for the year		**17.1**	(16.2)
Total comprehensive income for the year		**126.2**	95.2
Attributable to:			
Equity holders of the parent		**125.3**	94.9
Minority interests		**0.9**	0.3
		126.2	95.2

Consolidated Balance Sheet

as at 31 December 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Goodwill	13	**376.5**	373.5
Other intangible assets	14	**12.1**	7.4
Property, plant and equipment	15	**24.3**	25.6
Interest in associates	16	**3.6**	3.5
Other financial assets	17	**4.1**	4.8
Deferred tax assets	18	**13.0**	13.7
Retirement benefit assets	34	**23.6**	–
		457.2	428.5
Current assets			
Trade and other receivables	19	**4,186.9**	5,765.0
Other financial assets	17	**35.6**	30.1
Cash and cash equivalents	30(b)	**390.1**	366.1
		4,612.6	6,161.2
Total assets		**5,069.8**	6,589.7
Current liabilities			
Trade and other payables	20	**(4,229.4)**	(5,825.5)
Interest bearing loans and borrowings	21	**(30.1)**	(30.2)
Current tax liabilities		**(40.3)**	(36.7)
Short term provisions	23	**(0.5)**	(1.5)
		(4,300.3)	(5,893.9)
Net current assets		**312.3**	267.3
Non-current liabilities			
Interest bearing loans and borrowings	21	**(327.8)**	(357.0)
Retirement benefit obligations	34	**–**	(1.3)
Deferred tax liabilities	18	**(19.5)**	(8.1)
Long term provisions	23	**(3.9)**	(7.8)
Other long term payables	24	**(6.5)**	(9.1)
		(357.7)	(383.3)
Total liabilities		**(4,658.0)**	(6,277.2)
Net assets		**411.8**	312.5
Equity			
Share capital	26	**53.8**	53.8
Share premium	27(a)	**9.9**	9.9
Reverse acquisition reserve	27(a)	**(1,182.3)**	(1,182.3)
Other reserves	27(b)	**146.7**	128.6
Retained earnings	27(c)	**1,380.9**	1,300.3
Equity attributable to equity holders of the parent	27(c)	**409.0**	310.3
Minority interests	27(c)	**2.8**	2.2
Total equity		**411.8**	312.5

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 2011 and are signed on its behalf by:

Terry Smith
Chief Executive

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Equity attributable to equity holders of the parent											
	Share capital £m	Share premium account £m	Reverse acquisition reserve £m	Equity reserve £m	Re-valuation reserve £m	Merger reserve £m	Hedging and translation £m	Own shares £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
Balance at 1 January 2010	**53.8**	**9.9**	**(1,182.3)**	**–**	**2.3**	**121.5**	**7.6**	**(2.8)**	**1,300.3**	**310.3**	**2.2**	**312.5**
Profit for the year	–	–	–	–	–	–	–	–	108.5	108.5	0.6	109.1
Other comprehensive income for the year	–	–	–	–	0.3	–	9.8	–	6.7	16.8	0.3	17.1
Total comprehensive income for the year	–	–	–	–	0.3	–	9.8	–	115.2	125.3	0.9	126.2
Equity component of deferred consideration	–	–	–	5.3	–	–	–	–	–	5.3	–	5.3
Dividends paid in the year	–	–	–	–	–	–	–	–	(32.7)	(32.7)	(0.3)	(33.0)
Sale of own shares	–	–	–	–	–	–	–	2.3	(0.6)	1.7	–	1.7
Shares used to meet share award exercises	–	–	–	–	–	–	–	0.4	(0.4)	–	–	–
Debit arising on share-based payment awards	–	–	–	–	–	–	–	–	(0.9)	(0.9)	–	(0.9)
Balance at 31 December 2010	**53.8**	**9.9**	**(1,182.3)**	**5.3**	**2.6**	**121.5**	**17.4**	**(0.1)**	**1,380.9**	**409.0**	**2.8**	**411.8**
Balance at 1 January 2009	**53.8**	**9.9**	**(1,182.3)**	**–**	**1.4**	**121.5**	**23.9**	**(6.9)**	**1,220.8**	**242.1**	**2.4**	**244.5**
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 for the year	–	–	–	–	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)
Balance at 31 December 2009	**53.8**	**9.9**	**(1,182.3)**	**–**	**2.3**	**121.5**	**7.6**	**(2.8)**	**1,300.3**	**310.3**	**2.2**	**312.5**

Consolidated Cash Flow Statement

for the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Net cash from operating activities	30(a)	**94.7**	85.3
Investing activities			
Purchase of other financial assets		**(5.2)**	(0.8)
Interest received		**1.9**	5.0
Dividends from associates		**1.4**	1.9
Sale/(purchase) of available-for-sale assets		**1.7**	(0.1)
Expenditure on intangible fixed assets		**(7.5)**	(4.1)
Purchase of property, plant and equipment		**(4.9)**	(5.2)
Proceeds on disposal of property, plant and equipment		**0.2**	0.2
Investment in subsidiaries		**(2.4)**	(3.4)
Net cash used in investment activities		**(14.8)**	(6.5)
Financing activities			
Dividends paid	12	**(32.7)**	(27.8)
Dividends paid to minority interests		**(0.3)**	(0.7)
Sale of own shares		**1.7**	1.5
Repayment of debt		**(30.3)**	(30.1)
Repayment of obligations under finance leases		**(0.3)**	(3.7)
Eurobond issue costs		**–**	(2.5)
Payments relating to net investment hedges		**–**	(12.5)
Receipts relating to net investment hedges		**–**	2.5
Net cash used in financing activities		**(61.9)**	(73.3)
Net increase in cash and cash equivalents		**18.0**	5.5
Cash and cash equivalents at the beginning of the year		**366.1**	374.9
Effect of foreign exchange rate changes		**6.0**	(14.3)
Cash and cash equivalents at the end of the year	30(b)	**390.1**	366.1

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

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 92. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 26 and 27 and in the Business Review on pages 05 to 23.

2. Basis of preparation

(a) Basis of accounting

The Group 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 31 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 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.

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 inter-company transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests, also referred to as minority interests, in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured at fair value or at the non-controlling interests' proportionate share of the fair value of identifiable net assets. The choice of measurement is made on an acquisition by acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, including goodwill, less liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities are disposed of. The fair value of any investment retained in the former subsidiary at the date when control was lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(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:

- IFRS 3 (2008) 'Business Combinations', IAS 27 (2008) 'Consolidation and Separate Financial Statements', IAS 28 (2008) 'Investments in Associates' and IAS 31 (2008) 'Interests in Joint Ventures'. These standards introduced a number of changes in the accounting for business combinations when acquiring a subsidiary, an associate or investing in a joint venture. These changes are reflected in Note 2(b) 'Basis of consolidation' and 3(b) 'Business combinations'. IFRS 3 (2008) also introduced additional disclosure requirements for acquisitions. The revisions and amendments to these standards apply prospectively to business combinations acquired after 1 January 2010.

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:

- Amendments to IFRS 2 'Share-based Payment' relating to group cash settled share-based payment transactions;
- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' relating to eligible hedged items;
- Improvements to IFRSs (2009);
- IFRIC 17 'Distributions of Non-Cash Assets to Owners'; and
- IFRIC 18 'Transfers of Assets from Customers'.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2010

2. Basis of preparation continued
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 32 'Financial Instruments: Presentation' regarding the Classification of Rights Issues;
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments';
- Revised IAS 24 'Related Party Disclosures'; and
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement'.

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

- IFRS 9 'Financial Instruments';
- Amendments to IFRS 7 'Financial Instruments: Disclosures';
- Improvements to IFRSs (2010); and
- Amendment to IAS 12 'Income Taxes' relating to deferred tax: recovery of underlying assets.

The adoption of IFRS 9, which the Group plans to adopt in 2013, will impact both the measurement and disclosures of financial instruments. The Group does not expect the adoption of the other standards listed above will have a material impact on future financial statements 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) Business combinations
Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of the acquisition where they qualify as measurement period adjustments. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about the facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year. All subsequent changes in the fair value of contingent consideration classified as an asset or a liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date and any resulting gain or loss is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest was disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 'Income Taxes';
- Liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 'Employee Benefits';
- Acquiree share-based payment awards replaced by Group awards are measured in accordance with IFRS 2 'Share-based Payments'; and

– Assets or disposal groups that are classified for sale are measured in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations'.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, provisional amounts are reported. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised, to reflect the facts and circumstances that existed as at the acquisition date.

(c) 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 recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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.

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.

(d) 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.

(e) 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 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.

(f) 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2010

3. Summary of significant accounting policies continued

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.

(g) 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.

(h) 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 (or 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.

(i) 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.

(j) 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 IAS 39 '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.

(k) 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.

(l) 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2010

3. Summary of significant accounting policies continued

(m) 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.

(n) Securities borrowing

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

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

(v) 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 other comprehensive income.

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.

(w) 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.

(x) 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.

(y) 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.

(z) 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2010

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 and Risk Management Services.

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

Analysis by geographical segment

	2010 £m	2009 £m
Revenue		
Europe	**536.1**	542.6
North America	**259.0**	318.0
Asia Pacific	**113.4**	87.1
	908.5	947.7
Operating profit		
Europe	**120.7**	123.2
North America	**22.5**	44.4
Asia Pacific	**9.2**	3.2
	152.4	170.8
Finance income	**11.3**	20.2
Finance costs	**(22.4)**	(34.5)
Profit before tax	**141.3**	156.5
Taxation	**(33.7)**	(46.9)
Profit of consolidated companies	**107.6**	109.6
Share of results of associates	**1.5**	1.8
Profit for the year	**109.1**	111.4

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

Other segmental information

	2010 £m	2009 £m
Capital additions		
Europe	**7.1**	3.9
North America	**3.9**	5.1
Asia Pacific	**1.6**	0.6
	12.6	9.6
Depreciation and amortisation		
Europe	**5.0**	4.4
North America	**3.5**	2.8
Asia Pacific	**0.9**	1.0
	9.4	8.2
Share-based compensation		
Europe	**(0.9)**	(0.2)
North America	**–**	(0.2)
Asia Pacific	**–**	–
	(0.9)	(0.4)
Segment assets		
Europe	**1,834.1**	2,090.7
North America	**3,155.0**	4,437.0
Asia Pacific	**80.7**	62.0
	5,069.8	6,589.7
Segment liabilities		
Europe	**1,617.9**	1,934.6
North America	**2,981.5**	4,296.0
Asia Pacific	**58.6**	46.6
	4,658.0	6,277.2

Segment assets and liabilities exclude all inter-segment balances.

Analysis by product group

	2010 £m	2009 £m
Revenue		
Treasury Products	**248.4**	238.9
Interest Rate Derivatives	**205.0**	192.0
Fixed Income	**249.3**	317.1
Equities	**67.2**	74.0
Energy	**105.8**	100.6
Information Sales and Risk Management Services	**32.8**	25.1
	908.5	947.7

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2010

5. Other operating income

Other operating income represents receipts such as rental income, royalties, insurance proceeds, settlements from competitors 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:

	2010 £m	2009 £m
Depreciation of property, plant and equipment (note 15)	**6.4**	6.1
Amortisation of intangible assets (note 14)	**3.0**	2.1
Staff costs (note 7)	**605.8**	617.9
(Gain)/loss recognised on available-for-sale unlisted investments (note 25(g))	**(1.0)**	0.7
Auditor's remuneration for audit services (see below)	**1.9**	1.9

The analysis of auditor's remuneration is as follows:

	2010 £000	2009 £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	**14**	18
Tax services	**166**	131
Corporate finance services	**19**	5
Information technology services	**3**	–
Recruitment and remuneration services	**–**	5
Other services	**7**	–
Total non-audit fees	**209**	159
Audit fees payable to the Company's auditor and its associates in respect of associated pension schemes	**9**	9

7. Staff costs

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

	2010 No.	2009 No.
Europe	**1,170**	1,131
North America	**739**	812
Asia Pacific	**552**	536
	2,461	2,479

The aggregate employment costs of staff and directors were:

	2010 £m	2009 £m
Wages, salaries, bonuses and incentive payments	**555.2**	566.3
Social security costs	**45.9**	46.9
Pension costs (note 34)	**5.6**	5.1
Share-based compensation credit	**(0.9)**	(0.4)
	605.8	617.9

8. Finance income

	2010 £m	2009 £m
Interest receivable and similar income	**1.9**	3.4
Expected return on pension schemes' assets	**9.4**	6.5
Fair value gain on derivative instruments (note 22)	**–**	9.0
Amortisation of discount on deferred consideration	**–**	1.3
	11.3	20.2

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for the year ended 31 December 2010

9. Finance costs

	2010 £m	2009 £m
Interest payable on bank loans	**2.5**	4.6
Interest payable on Eurobonds	**10.5**	11.5
Other interest payable	**0.4**	0.2
Amortisation of debt issue costs	**1.2**	0.9
Total borrowing costs	**14.6**	17.2
Fair value loss on derivative instruments (note 22)	**–**	10.3
Interest cost on pension schemes' liabilities	**7.8**	7.0
	22.4	34.5

10. Taxation

	2010 £m	2009 £m
Current tax:		
UK corporation tax	**32.3**	33.4
Double tax relief	**(0.3)**	(1.2)
	32.0	32.2
Overseas tax	**(1.4)**	9.8
Prior year UK corporation tax	**(2.0)**	(0.4)
Prior year overseas tax	**0.5**	(6.2)
	29.1	35.4
Deferred tax: (note 18)		
Current year	**4.7**	10.8
Prior year	**(0.1)**	0.7
	4.6	11.5
Tax charge for the year	**33.7**	46.9

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

	2010		2009	
	£m	%	£m	%
Profit before tax:	**141.3**		156.5	
Tax based on the UK corporation tax rate of 28.0%	**39.6**	**28.0**	43.8	28.0
Tax effect of expenses that are not deductible	**5.8**	**4.0**	8.4	5.4
Less: Tax effect of non-taxable income	**(4.7)**	**(3.3)**	(4.9)	(3.2)
Less: Tax effect of stock options	**(0.2)**	**(0.1)**	(0.5)	(0.3)
Effect of non-UK tax rates	**(0.2)**	**(0.1)**	6.3	4.0
Unrecognised/(relieved) losses	**0.7**	**0.5**	(0.2)	(0.1)
Prior year tax	**(1.6)**	**(1.1)**	(5.9)	(3.8)
Tax on capital related items	**(6.0)**	**(4.3)**	–	–
Other	**0.3**	**0.2**	(0.1)	–
Tax charge and effective tax rate for the year	**33.7**	**23.8**	46.9	30.0

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

	2010 £m	2009 £m
Current tax (credit)/charge relating to:		
Exercise/award of share-based payments	**(0.1)**	0.2
Exchange movement on net investment loans	**(1.0)**	1.2
Net investment hedge	**–**	0.7
	(1.1)	2.1
Deferred tax charge/(credit) relating to:		
Defined benefit pension schemes	**8.1**	(0.2)
Share-based awards	**(0.3)**	–
Other	**0.1**	–
	7.9	(0.2)
Tax charge on items taken directly to other comprehensive income	**6.8**	1.9

11. Earnings per share

	2010	2009
Adjusted basic	**46.4p**	49.2p
Basic	**50.5p**	51.8p
Diluted	**50.3p**	51.2p

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

	2010 No.(m)	2009 No.(m)
Weighted average shares in issue used for calculating basic and adjusted basic earnings per share	**214.9**	213.9
Contingently issuable shares	**0.2**	1.8
Issuable on exercise of options	**0.6**	0.7
Diluted weighted average shares in issue	**215.7**	216.4

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

	2010 £m	2009 £m
Profit for the year	**109.1**	111.4
Minority interests	**(0.6)**	(0.6)
Earnings for calculating basic and diluted earnings per share	**108.5**	110.8
Expected return on pension schemes' assets	**(9.4)**	(6.5)
Interest cost on pension schemes' liabilities	**7.8**	7.0
Amortisation of discount on deferred consideration	**–**	(1.3)
Fair value movement on derivative financial instruments	**–**	1.3
Tax on above items	**0.5**	(0.2)
Tax on capital related items	**(6.0)**	–
Prior year tax	**(1.6)**	(5.9)
Adjusted Earnings for calculating adjusted basic earnings per share	**99.8**	105.2

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2010

12. Dividends

	2010 £m	2009 £m
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2010 of 5.25p per share	**11.3**	–
Final dividend for the year ended 31 December 2009 of 10.0p per share	**21.4**	–
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
	32.7	27.8

In respect of the current year, the directors propose that the final dividend of 10.5p per share amounting to £22.6m will be paid on 19 May 2011 to all shareholders on the Register of Members on 26 April 2011. 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 the Tullett Prebon plc Employee Benefit Trust 2007 have waived their rights to dividends.

13. Goodwill

	2010 £m	2009 £m
Cost		
At 1 January	**380.7**	394.9
Recognised on acquisition	**1.3**	–
Adjustments relating to deferred consideration	**0.3**	(8.3)
Effect of movements in exchange rates	**1.4**	(5.9)
At 31 December	**383.7**	380.7
Accumulated amortisation		
At 1 January and 31 December	**(7.2)**	(7.2)
Carrying amount at 31 December	**376.5**	373.5

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

	2010 £m	2009 £m
Europe	**193.8**	193.4
North America	**163.4**	160.8
Asia Pacific	**19.3**	19.3
	376.5	373.5

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% (2009: 11.5%). The future cash flow projections are based on Board 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

Intangible assets arising from software development expenditure:

2010	At 1 January £m	Additions £m	Disposals £m	Charge for the year £m	Effect of exchange movements £m	At 31 December £m
Cost	**16.4**	7.5	(0.7)	–	0.6	**23.8**
Amortisation	**(9.0)**	–	0.7	(3.0)	(0.4)	**(11.7)**
Carrying amount	**7.4**					**12.1**
2009						
Cost	13.7	4.1	(0.1)	–	(1.3)	16.4
Amortisation	(7.9)	–	0.1	(2.1)	0.9	(9.0)
Carrying amount	5.8					7.4

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for the year ended 31 December 2010

15. Property, plant and equipment

	Land, buildings, and leasehold improvements £m	Furniture, fixtures, equipment and motor vehicles £m	Total £m
Cost			
At 1 January 2010	**27.3**	**32.4**	**59.7**
Additions	1.4	3.7	5.1
Disposals	(1.2)	(0.2)	(1.4)
Effect of movements in exchange rates	0.4	2.1	2.5
At 31 December 2010	**27.9**	**38.0**	**65.9**
Accumulated depreciation			
At 1 January 2010	**(11.1)**	**(23.0)**	**(34.1)**
Charge for the year	(2.3)	(4.1)	(6.4)
Disposals	1.0	–	1.0
Effect of movements in exchange rates	(0.3)	(1.8)	(2.1)
At 31 December 2010	**(12.7)**	**(28.9)**	**(41.6)**
Carrying amount			
At 31 December 2010	**15.2**	**9.1**	**24.3**
Cost			
At 1 January 2009	26.4	32.9	59.3
Additions	2.4	3.1	5.5
Disposals	–	(0.9)	(0.9)
Effect of movements in exchange rates	(1.5)	(2.7)	(4.2)
At 31 December 2009	27.3	32.4	59.7
Accumulated depreciation			
At 1 January 2009	(9.9)	(21.8)	(31.7)
Charge for the year	(1.9)	(4.2)	(6.1)
Disposals	–	0.7	0.7
Effect of movements in exchange rates	0.7	2.3	3.0
At 31 December 2009	(11.1)	(23.0)	(34.1)
Carrying amount			
At 31 December 2009	16.2	9.4	25.6

The carrying amount of the Group's property, plant and equipment includes an amount of £0.3m (2009: £0.5m) in respect of assets held under finance leases.

16. Interest in associates

	2010 £m	2009 £m
Carrying amount of investment in associates	**3.6**	3.5
Aggregated amounts relating to associates:		
Total assets	**15.0**	10.0
Total liabilities	**(5.6)**	(2.2)
Net assets	**9.4**	7.8
Revenue	**15.2**	13.0
Profit for the year	**2.6**	3.1

A list of the significant investments in associates, including the name, country of incorporation and proportion of ownership interest is given in Note 37.

17. Other financial assets

	2010 £m	2009 £m
Non-current		
Available-for-sale assets		
– unlisted	**2.0**	3.1
– listed	**2.1**	1.7
	4.1	4.8

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.

	2010 £m	2009 £m
Current		
Short term government securities	**4.5**	1.5
Term deposits	**31.1**	28.6
	35.6	30.1

Current other financial assets are liquid funds held on deposit with banks and clearing organisations.

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for the year ended 31 December 2010

18. Deferred tax

	2010 £m	2009 £m
Deferred tax assets	**13.0**	13.7
Deferred tax liabilities	**(19.5)**	(8.1)
	(6.5)	5.6

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

	2010 £m	2009 £m
At 1 January	**5.6**	17.4
Charge to income for the year	**(4.6)**	(11.5)
(Charge)/credit to other comprehensive income for the year	**(7.9)**	0.2
Effect of movements in exchange rates	**0.4**	(0.5)
At 31 December	**(6.5)**	5.6

Deferred tax balances and movements thereon are analysed as:

	At 1 January 2010 £m	Recognised in profit or loss £m	Recognised in other comprehensive income £m	Effect of movements in exchange rates £m	At 31 December 2010 £m
Share-based awards	**0.9**	(0.5)	0.3	–	**0.7**
Defined benefit retirement schemes	**1.8**	(1.0)	(8.1)	–	**(7.3)**
Tax losses	**–**	1.3	–	–	**1.3**
Other timing differences	**2.9**	(4.4)	(0.1)	0.4	**(1.2)**
	5.6	(4.6)	(7.9)	0.4	**(6.5)**

At the balance sheet date, the Group has a total potential tax benefit from unused tax losses of £7.2m (2009: £6.5m) in net terms available for offset against future profits. A deferred tax asset of £1.3m in respect of tax losses has been recognised in 2010 (2009: £nil).

The 31 December 2010 deferred tax liability relating to defined benefit retirement schemes includes a liability of £8.3m (2009: £nil) in respect of the surplus on the Group schemes.

No deferred tax has been recognised on temporary differences associated with undistributed earnings of subsidiaries as the Group is able to control the timing of distributions. Additionally, changes to UK tax regulation largely exempt overseas dividends received after 1 July 2009 from UK tax.

19. Trade and other receivables

	2010 £m	2009 £m
Trade receivables	**79.8**	73.8
Settlement balances	**4,037.9**	5,638.0
Financial assets	**4,117.7**	5,711.8
Other debtors	**12.4**	8.8
Prepayments and accrued income	**49.2**	39.9
Corporation tax	**7.0**	4.4
Owed by associates and related parties	**0.6**	0.1
	4,186.9	5,765.0

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:

	2010 £m	2009 £m
Less than 30 days (not yet due)	**59.5**	54.9
Between 30 and 60 days	**11.7**	11.2
Between 60 and 90 days	**4.2**	4.5
Greater than 90 days	**4.4**	3.2
Total past due	**20.3**	18.9
Trade receivables	**79.8**	73.8

Trade receivables are shown net of a provision of £1.5m (2009: £1.6m) against certain trade receivables due after 90 days.

The table below shows the ageing of settlement balances:

	2010 £m	2009 £m
Amounts not yet due	**4,008.4**	5,522.0
Less than 30 days	**20.2**	113.6
Between 30 and 60 days	**9.3**	0.6
Between 60 and 90 days	**–**	1.8
Total past due	**29.5**	116.0
Settlement balances	**4,037.9**	5,638.0

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 Note 20 'Trade and other payables'.

Notes to the Consolidated Financial Statements continued

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20. Trade and other payables

	2010 £m	2009 £m
Settlement balances	**4,037.5**	5,637.6
Trade payables	**6.5**	5.3
Financial liabilities	**4,044.0**	5,642.9
Tax and social security	**30.5**	28.2
Other creditors	**4.1**	6.2
Accruals and deferred income	**150.2**	147.1
Owed to associates and related parties	**0.6**	1.1
	4,229.4	5,825.5

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

21. Interest bearing loans and borrowings

2010	Less than one year £m	Greater than one year £m	Total £m
Obligations under finance leases	0.1	0.2	**0.3**
Eurobond due 2014	–	8.5	**8.5**
Eurobond due 2016	–	139.1	**139.1**
Bank loan	30.0	180.0	**210.0**
	30.1	327.8	**357.9**
2009			
Obligations under finance leases	0.2	0.3	0.5
Eurobond due 2014	–	8.8	8.8
Eurobond due 2016	–	138.8	138.8
Bank loan	30.0	209.1	239.1
	30.2	357.0	387.2

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 25.

Eurobond: Due 6 July 2016
In July 2009 £141,144,000 of 7.04% Guaranteed Notes due 6 July 2016 were issued.

At 31 December 2010, the carrying value of the Eurobond due 2016, together with unamortised transaction costs, amounted to £139.1m and its fair value was £139.7m (2009: £129.2m).

Eurobond: Due 12 August 2014
As at 31 December 2010, £8,470,000 (2009: £8,770,000) of the 8.25% Step-up Coupon Subordinated Notes due 12 August 2014 remain outstanding. These notes are callable by Tullett Prebon Group Holdings plc at any time. The coupon was reset to 6.52% in August 2009. During the year bonds with a nominal value of £300,000 were repurchased.

At 31 December 2010, the carrying value of the Eurobond due 2014, together with unamortised transaction costs and fair value adjustments, amounted to £8.5m and its fair value was £7.0m (2009: £6.6m).

Bank loan and credit facility
As at the year end the Group had banking facilities consisting of a £210m amortising term loan and a £50m committed revolving credit facility. The term loan is subject to a repayment of £30m in January 2011 with the remaining £180m repayable in January 2012 when the committed revolving credit facility will also mature. As at 31 December 2010 the carrying value of the loan approximated to the fair value. The revolving credit facility was undrawn as at 31 December 2010. The average effective interest rate on the bank loan was 1.6% during 2010 (2009: 2.1%).

On 8 February 2011, the Group entered into a new £235m credit agreement consisting of a £120m amortising term loan facility and a £115m committed revolving credit facility. These facilities replace the facilities discussed above. The term loan is subject to repayments of £30m in each of February 2012 and February 2013 with £60m maturing in February 2014. The committed revolving credit facility, which has not been drawn, will also mature in February 2014.

Finance leases
The Group leases certain items of property, plant and equipment under finance leases. The average lease term is 2-3 years (2009: 3-4 years). For 2010 the average effective borrowing rate was 7.1% (2009: 7.7%). 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. Group obligations under finance leases are secured by a lessor's charge over the leased assets.

22. Derivative financial instruments
As at 31 December 2010 the Group held no derivative financial instruments.

In 2009 a £9.0m fair value gain was recognised on a £64.2m/US$117m cross currency swap which matured in August 2009, and a fair value loss of £10.3m was recognised on a US$117m forward foreign exchange contract.

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.

Notes to the Consolidated Financial Statements continued

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23. Provisions

	Onerous leases £m	Building dilapidations £m	Other £m	Total £m
At 1 January 2010	**1.4**	**2.1**	**5.8**	**9.3**
Charged/(credited) to income statement	–	0.7	(4.8)	(4.1)
Utilisation of provision	(1.3)	–	–	(1.3)
Effect of movements in exchange rates	–	0.1	0.4	0.5
At 31 December 2010	**0.1**	**2.9**	**1.4**	**4.4**
At 1 January 2009	3.6	1.9	6.4	11.9
Charged to income statement	–	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)
At 31 December 2009	1.4	2.1	5.8	9.3

	2010 £m	2009 £m
Included in current liabilities	**0.5**	1.5
Included in non-current liabilities	**3.9**	7.8
	4.4	9.3

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 three 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 nine years.

24. Other long term payables

	2010 £m	2009 £m
Other creditors	**3.6**	4.4
Deferred consideration	**2.9**	4.7
	6.5	9.1

Other creditors are held at cost which approximates to fair value. Deferred consideration as at 31 December 2010 relates to the acquisitions of OTC Valuations Ltd and Aspen and is held at the discounted value of estimated future obligations.

25. Financial instruments

The following analysis should be read in conjunction with the information on risk management included in the Business Review on pages 15 to 19.

(a) Capital risk management

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 capital structure of the Group consists of debt, as set out in Note 21, cash and cash equivalents, other current financial assets and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 26 and 27.

The Group has 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.

(b) Categorisation of financial assets and liabilities

Financial assets 2010	Available-for-sale assets £m	Loans and receivables £m	Total £m
Other financial assets (non-current)	4.1	–	**4.1**
Other financial assets (current)	4.5	31.1	**35.6**
Cash and cash equivalents	–	390.1	**390.1**
Trade receivables	–	79.8	**79.8**
Settlement balances	–	4,037.9	**4,037.9**
	8.6	4,538.9	**4,547.5**
2009			
Other financial assets (non-current)	4.8	–	4.8
Other financial assets (current)	1.5	28.6	30.1
Cash and cash equivalents	–	366.1	366.1
Trade receivables	–	73.8	73.8
Settlement balances	–	5,638.0	5,638.0
	6.3	6,106.5	6,112.8

Notes to the Consolidated Financial Statements continued

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25. Financial instruments continued

Financial liabilities 2010	Financial liabilities at amortised cost £m	Total £m
Eurobonds	147.6	**147.6**
Bank loan	210.0	**210.0**
Finance leases	0.3	**0.3**
Trade payables	6.5	**6.5**
Settlement balances	4,037.5	**4,037.5**
	4,401.9	**4,401.9**
2009		
Eurobonds	147.6	147.6
Bank loan	239.1	239.1
Finance leases	0.5	0.5
Trade payables	5.3	5.3
Settlement balances	5,637.6	5,637.6
	6,030.1	6,030.1

(c) Credit risk analysis

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

	Cash and cash equivalents and other current financial assets		Trade receivables		Settlement balances	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
AAA to AA+	**34.2**	27.9	**1.2**	1.1	**685.3**	687.7
AA to A-	**382.0**	367.0	**63.8**	56.8	**2,934.2**	4,412.0
BBB+ to BBB-	**7.9**	0.2	**3.9**	6.5	**185.9**	206.6
BB+ to B-	**0.5**	0.1	**0.9**	0.4	**–**	3.5
Unrated	**1.1**	1.0	**11.5**	10.6	**232.5**	328.2
	425.7	396.2	**81.3**	75.4	**4,037.9**	5,638.0
Provision for doubtful debts	**–**	–	**(1.5)**	(1.6)	**–**	–
	425.7	396.2	**79.8**	73.8	**4,037.9**	5,638.0

In addition to the above, £1.5m (2009: £1.6m) of other non-current financial assets are rated AAA to AA+ and £2.6m (2009: £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 credit risk is considered to be minimal.

(d) 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:

2010	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
Settlement balances	4,037.5	–	–	–	**4,037.5**
Trade payables	6.5	–	–	–	**6.5**
Obligations under finance leases	–	0.1	0.2	–	**0.3**
Eurobonds	–	10.5	49.9	151.1	**211.5**
Bank loan	30.7	1.9	180.2	–	**212.8**
	4,074.7	12.5	230.3	151.1	**4,468.6**

2009					
Settlement balances	5,637.6	–	–	–	5,637.6
Trade payables	5.3	–	–	–	5.3
Obligations under finance leases	–	0.2	0.4	–	0.6
Eurobonds	–	10.5	50.8	161.0	222.3
Bank loan	30.7	2.5	216.8	–	250.0
	5,673.6	13.2	268.0	161.0	6,115.8

Notes to the Consolidated Financial Statements continued

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25. Financial instruments continued

(e) Foreign currency sensitivity analysis

The table below illustrates the sensitivity of the profit for the year with regard to currency movements on financial assets and liabilities denominated in foreign currencies as at the year end.

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:

	2010		2009	
	USD £m	EUR £m	USD £m	EUR £m
Change in profit for the year	**(1.4)**	**(1.0)**	(0.9)	(0.8)

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

(f) 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 change 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:

	2010		2009	
Basis points change	+100pts £m	–100pts £m	+100pts £m	–100pts £m
Income/(expense) arising on:				
– floating rate assets	**3.6**	**(1.6)**	3.5	(2.0)
– floating rate liabilities	**(2.1)**	**1.3**	(2.4)	2.0
Net income/(expense) for the year	**1.5**	**(0.3)**	1.1	–

(g) 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).

2010	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Available-for-sale financial assets				
Non-current other financial assets				
– unlisted	–	–	2.0	2.0
– listed	2.1	–	–	2.1
Current other financial assets				
– short term government securities	4.5	–	–	4.5
	6.6	–	2.0	8.6

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

Reconciliation of Level 3 fair value measurements of financial assets:

	Available- for-sale Unlisted £m
Balance as at 1 January 2010	3.1
Realised gain in the income statement	1.0
Disposal proceeds	(2.0)
Unrealised loss in other comprehensive income	(0.1)
Balance as at 31 December 2010	2.0

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

The £1.0m gain included in profit or loss in the period relates to the sale of unlisted available-for-sale assets during the period. The gain in the period is included in 'administrative expenses'. Of the disposal proceeds, £1.7m was received in cash with £0.3m deferred.

The total gains or losses in the period included in other comprehensive income relates to the revaluation of unlisted available-for-sale assets held at the balance sheet date. The losses of £0.1m are included within 'Revaluation reserve'.

26. Share capital

	2010 No.	2009 No.
Allotted, issued and fully paid		
Ordinary shares of 25p	**215,313,584**	215,313,584

	2010 £m	2009 £m
Allotted, issued and fully paid		
Ordinary shares of 25p	**53.8**	53.8

A resolution was passed at the 2010 Annual General Meeting adopting 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.

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27. 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
As at 31 December 2010	**53.8**	**9.9**	**(1,182.3)**	**(1,118.6)**
As at 31 December 2009	**53.8**	**9.9**	**(1,182.3)**	**(1,118.6)**

(b) Other reserves

	Equity reserve £m	Revaluation reserve £m	Merger reserve £m	Hedging and translation £m	Own shares £m	Other reserves £m
As at 1 January 2010	**–**	**2.3**	**121.5**	**7.6**	**(2.8)**	**128.6**
Revaluation of available-for-sale assets	–	0.3	–	–	–	0.3
Exchange differences on translation of foreign operations	–	–	–	8.8	–	8.8
Taxation credit on components of other comprehensive income	–	–	–	1.0	–	1.0
Total comprehensive income	–	0.3	–	9.8	–	10.1
Equity component of deferred consideration	5.3	–	–	–	–	5.3
Sale of own shares	–	–	–	–	2.3	2.3
Shares used to meet share award exercises	–	–	–	–	0.4	0.4
As at 31 December 2010	**5.3**	**2.6**	**121.5**	**17.4**	**(0.1)**	**146.7**
As at 1 January 2009	**–**	**1.4**	**121.5**	**23.9**	**(6.9)**	**139.9**
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
As at 31 December 2009	**–**	**2.3**	**121.5**	**7.6**	**(2.8)**	**128.6**

Equity reserve
The reserve of £5.3m represents the fair value of 1,420,212 ordinary shares issuable on 31 December 2011, following Primex Energy Brokers Limited's completion of acquisition related performance conditions.

Own shares

As at 31 December 2010, the Tullett Prebon plc Employee Benefit Trust 2007 held 200,833 ordinary shares (2009: 677,797 ordinary shares). During the year 406,964 ordinary shares were used to satisfy share award exercises and 70,000 ordinary shares were sold.

As at 31 December 2010, the Tullett Prebon plc Employee Share Ownership Trust held 1,196 ordinary shares (2009: 555,631 ordinary shares). During the year 56,779 ordinary shares were used to satisfy share award exercises and 497,656 ordinary shares were sold.

(c) Total equity

	Equity attributable to equity holders of the parent					
	Total from note 27(a) £m	Total from note 27(b) £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
As at 1 January 2010	**(1,118.6)**	**128.6**	**1,300.3**	**310.3**	**2.2**	**312.5**
Profit for the year	–	–	108.5	108.5	0.6	109.1
Revaluation of available-for-sale assets	–	0.3	–	0.3	–	0.3
Exchange differences on translation of foreign operations	–	8.8	–	8.8	0.3	9.1
Actuarial gains on defined benefit pension schemes	–	–	14.5	14.5	–	14.5
Taxation credit/(charge) on components of other comprehensive income	–	1.0	(7.8)	(6.8)	–	(6.8)
Total comprehensive income	–	10.1	115.2	125.3	0.9	126.2
Equity component of deferred consideration	–	5.3	–	5.3	–	5.3
Dividends paid in the year	–	–	(32.7)	(32.7)	(0.3)	(33.0)
Sale of own shares	–	2.3	(0.6)	1.7	–	1.7
Shares used to meet share award exercises	–	0.4	(0.4)	–	–	–
Debit arising on share-based payment awards	–	–	(0.9)	(0.9)	–	(0.9)
As at 31 December 2010	**(1,118.6)**	**146.7**	**1,380.9**	**409.0**	**2.8**	**411.8**
As at 1 January 2009	**(1,118.6)**	**139.9**	**1,220.8**	**242.1**	**2.4**	**244.5**
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 losses on defined benefit pension schemes	–	–	(0.5)	(0.5)	–	(0.5)
Taxation charge on components of other comprehensive income	–	(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)
As at 31 December 2009	**(1,118.6)**	**128.6**	**1,300.3**	**310.3**	**2.2**	**312.5**

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28. Share-based payments

As at 31 December 2010 the Group had one active equity-based long term incentive plan, the Tullett Prebon Long Term Incentive Plan, for the granting of non-transferable awards to certain employees and executives.

Option awards granted under the plan 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.

Share awards are granted to certain employees within the Group and are transferred to them on completion of the awards' performance criteria.

Outstanding awards at 31 December 2010 and their estimated fair values when granted are set out below:

	Awards outstanding 2010	Estimated fair value at grant date
Awards		
Long term incentive award (2008) (i)	–	389p
Long term incentive award (2009) (ii)	955,512	199p
Long term incentive award (2010) (ii)	797,266	169p
Employee share awards (iii)	–	400-463p
	1,752,778	

Notes:
(i) 2008 awards are subject to revenue, operating margin and return on capital conditions
(ii) 2009 and 2010 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 2010 and 2009:

2010	Share options	Shares	Number of Awards
Outstanding at start of the year	3,233,221	406,964	**3,640,185**
Exercised/awarded during the year	(56,779)	(406,964)	**(463,743)**
Lapsed during the year	(2,220,930)	–	**(2,220,930)**
Granted during the year	797,266	–	**797,266**
Outstanding at end of year	1,752,778	–	**1,752,778**
Exercisable at end of year	–		

2009	Share options	Shares	Number of Awards
Outstanding at start of the year	4,199,905	463,782	4,663,687
Exercised/awarded during the year	(326,847)	(18,939)	(345,786)
Forfeited during the year	(1,595,349)	(37,879)	(1,633,228)
Granted during the year	955,512	–	955,512
Outstanding at end of year	3,233,221	406,964	3,640,185
Exercisable at end of year	56,779		

The weighted average exercise price for all awards is £nil (2009: £nil).

The weighted average share price of share options exercised and shares awarded in 2010 was 353p (2009: 140p).

The estimated fair value of each option granted under the long term incentive award (2008) was 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 each option granted under the long term incentive awards (2009) and (2010), which are subject to market conditions, were 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, the expected life of the option until exercise, a risk-free interest rate based on government securities with a similar maturity profile and the volatility and correlation of Total Shareholder Return (TSR) with a comparator group of companies. The 2010 award is also subject to TSR comparison relative to the UK Retail Price Index.

The estimated fair value of each share granted to employees is calculated based on the share price at grant date, adjusted for the non-accumulation of dividends.

The model inputs for share option awards that existed as at 31 December 2010 are set out below:

	Long term incentive award (2010)	**Long term incentive award (2009)**	**Long term incentive award (2008)**
Share price at date of grant (p)	298	284	430
Exercise price (p)	nil	nil	nil
Expected volatility	62%	58%	46%
Expected life (years)	3	3	3
Risk-free rate	1.3%	2.2%	5.0%
Expected dividend yield	5.0%	4.5%	3.0%
Expected volatility of comparator group	52%	49%	n/a
Correlation with comparator group	27%	27%	n/a
Retail Price Index	2.5%	n/a	n/a
Proportion meeting service criteria	100%	100%	100%

The weighted average contractual life for the share-based awards outstanding as at 31 December 2010 is 9.2 years (2009: 7.7 years).

	2010 £m	**2009 £m**
Credit arising from share-based awards	**(0.9)**	(0.4)

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29. 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.

	2010 £m	2009 £m
At 1 January	**10.3**	23.8
Acquisitions during the year	**1.0**	–
Additional consideration accrued	**–**	0.5
Cash consideration paid	**(2.1)**	(3.4)
Equity component transferred to reserves	**(5.3)**	–
Adjustments to goodwill during the year	**0.3**	(8.3)
Reversal of discount	**–**	(1.3)
Effect of movements in exchange rates	**–**	(1.0)
At 31 December	**4.2**	10.3
Amounts falling due within one year	**1.3**	5.6
Amounts falling due after one year	**2.9**	4.7
At 31 December	**4.2**	10.3

On 4 March 2010, the Group acquired 100% of the share capital in OTC Valuations Ltd. The initial consideration paid on completion was £0.3m in cash. Further cash consideration, estimated at £1.0m, is payable in the next two years subject to certain performance requirements. The initial fair value of net assets acquired amounted to less than £0.1m, resulting in the recognition of £1.3m of goodwill. OTC Valuations Ltd did not have a material effect on the Group's results for the year.

30. Notes to the Consolidated Cash Flow Statement

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

	2010 £m	2009 £m
Operating profit	**152.4**	170.8
Adjustments for:		
Share-based compensation	**(0.9)**	(0.4)
Profit on sale of other non-current financial assets	**(1.0)**	–
Loss on sale of property, plant and equipment	**0.2**	–
Depreciation of property, plant and equipment	**6.4**	6.1
Amortisation of intangible assets	**3.0**	2.1
Decrease in provisions for liabilities and charges	**(5.4)**	(1.8)
Outflow from retirement benefit obligations	**(8.8)**	(8.1)
(Decrease)/increase in non-current liabilities	**(1.1)**	0.7
Operating cash flows before movement in working capital	**144.8**	169.4
(Increase)/decrease in trade and other receivables	**(15.0)**	4.4
Decrease/(increase) in net settlement balances	**0.2**	(0.2)
Increase/(decrease) in trade and other payables	**5.6**	(41.2)
Cash generated from operations	**135.6**	132.4
Income taxes paid	**(27.5)**	(30.4)
Interest paid	**(13.4)**	(16.7)
Net cash from operating activities	**94.7**	85.3

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less. As at 31 December 2010 cash and cash equivalents amounted to £390.1m (2009: £366.1m). 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.

31. Analysis of net funds

2010	At 1 January 2010 £m	Cash flow £m	Non cash items £m	Exchange differences £m	At 31 December 2010 £m
Cash	**189.7**	49.2	–	3.5	**242.4**
Cash equivalents	**173.6**	(30.8)	–	2.5	**145.3**
Client settlement money	**2.8**	(0.4)	–	–	**2.4**
Cash and cash equivalents	**366.1**	18.0	–	6.0	**390.1**
Other current financial assets	**30.1**	5.2	–	0.3	**35.6**
Total funds	**396.2**	23.2	–	6.3	**425.7**
Bank loans within one year	**(30.0)**	30.0	(30.0)	–	**(30.0)**
Bank loans after one year	**(209.1)**	–	29.1	–	**(180.0)**
Loans due after one year	**(147.6)**	0.3	(0.3)	–	**(147.6)**
Finance leases	**(0.5)**	0.3	(0.2)	0.1	**(0.3)**
	(387.2)	30.6	(1.4)	0.1	**(357.9)**
Total net funds	**9.0**	53.8	(1.4)	6.4	**67.8**

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)
	(422.6)	36.4	(1.3)	0.3	(387.2)
Total net funds	(17.4)	42.6	(1.3)	(14.9)	9.0

Other current financial assets comprise short term government securities and term deposits held on deposit with banks and clearing organisations.

32. 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.

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33. Operating lease commitments

	2010 £m	2009 £m
Minimum operating lease payments recognised in the income statement	**13.1**	13.1

At 31 December 2010 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010		2009	
	Buildings £m	Other £m	Buildings £m	Other £m
Within one year	**11.5**	**1.3**	11.2	1.4
Within two to five years	**30.3**	**0.4**	28.7	0.5
Over five years	**28.4**	**–**	34.8	–
	70.2	**1.7**	74.7	1.9

34. Retirement benefit obligations

(a) Defined benefit schemes

The Group operates two defined benefit schemes in the UK which are discussed below, and a small number of schemes in other countries which collectively are not significant in the context of the Group.

(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.

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.

The estimated amounts of contributions expected to be paid into the UK defined benefit schemes during 2011 is £1.0m. The latest funding 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 2010 and 1 January 2010 respectively by independent qualified actuaries.

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

	2010 %	2009 %
Key assumptions used:		
Discount rate	**5.30**	5.70
Expected return on schemes' assets	**6.64**	7.05
Expected rate of salary increases	**4.95**	5.05
Rate of increase in LPI pensions in payment*	**3.50**	3.60
Inflation assumption	**3.70**	3.80

* 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 2010 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 28 years (2009: 29 years) after retirement if they are male and for a further 31 years (2009: 31 years) after retirement if they are female. For the Prebon Yamane (Ex K-W) Pension Scheme the equivalent assumptions are 30 years (2009: 30 years) for males and 31 years (2009: 31 years) for females. Current pensioners are assumed to have a consistent but generally shorter life expectancy based on their current age.

	Expected return in 2011 on 31 December 2010 scheme assets %	2010 Assets £m	Expected return in 2010 on 31 December 2009 scheme assets %	2009 Assets £m	Expected return in 2009 on 31 December 2008 scheme assets %	2008 Assets £m
Equities	**7.01**	**151.8**	7.40	123.5	6.70	92.3
Corporate bonds	**5.30**	**10.5**	5.70	9.7	6.10	8.2
Cash and other	**0.80**	**7.2**	0.70	4.5	2.70	6.4
Weighted average return*	**6.64**		7.05		6.41	
Total fair value of schemes' assets		**169.5**		137.7		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 in 2010 was £27.7m (2009: gain on schemes' assets £26.2m).

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

	2010 £m	2009 £m
Present value of funded defined benefit obligations	**(145.9)**	(139.0)
Fair value of schemes' assets	**169.5**	137.7
Surplus/(deficit) in schemes	**23.6**	(1.3)

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

	2010 £m	2009 £m
Interest cost on schemes' liabilities	**(7.8)**	(7.0)
Expected return on schemes' assets	**9.4**	6.5
Recognised in profit and loss	**1.6**	(0.5)

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

	2010 £m	2009 £m
At 1 January	**(139.0)**	(115.4)
Interest cost on schemes' liabilities	**(7.8)**	(7.0)
Actuarial losses	**(3.8)**	(20.2)
Benefits paid/transfers out	**4.7**	3.6
At 31 December	**(145.9)**	(139.0)

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34. Retirement benefit obligations continued

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

	2010 £m	2009 £m
At 1 January	**137.7**	106.9
Gross expected return on schemes' assets	**9.4**	6.5
Actuarial gains	**18.3**	19.7
Contributions from the sponsoring companies	**8.8**	8.2
Benefits paid/transfers out	**(4.7)**	(3.6)
At 31 December	**169.5**	137.7

Historical information:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Present value of funded defined benefit obligations	**(145.9)**	(139.0)	(115.4)	(123.4)	(133.8)
Fair value of schemes' assets	**169.5**	137.7	106.9	119.5	107.6
Schemes' surplus/(deficits)	**23.6**	(1.3)	(8.5)	(3.9)	(26.2)
Experience adjustments on schemes' liabilities	**5.1**	(0.6)	(2.1)	(0.3)	0.2
Percentage of schemes' liabilities	**3.5%**	(0.4)%	(1.8)%	(0.2)%	0.1%
Experience adjustments on schemes' assets	**18.3**	19.8	(21.2)	4.2	4.9
Percentage of schemes' assets	**10.8%**	14.4%	(19.8)%	3.5%	4.6%

(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 £5.6m (2009: £5.1m), of which £1.6m (2009: £1.2m) related to overseas schemes.

As at 31 December 2010, contributions of £0.1m (2009: £0.1m) due in respect of the current reporting period had not been paid over to the schemes, all of which related to the overseas schemes.

35. Client money

Client money held was £2.4m (2009: £2.8m). This represents balances held by the Group received as a result of corporate actions relating to securities transactions.

36. 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 2010 was £0.6m (2009: £0.1m). The total amount owed by the Group to related parties and associates at 31 December 2010 was £0.6m (2009: £1.1m).

	Amounts owed by related parties		Amounts owed to related parties	
	2010 £m	2009 £m	2010 £m	2009 £m
Collins Stewart Employee Share Ownership Trust	**–**	–	**0.6**	0.7
Associates	**0.6**	0.1	**–**	0.4
	0.6	0.1	**0.6**	1.1

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 was a related party of the Group until Terry Smith resigned as a director of Collins Stewart plc in 2010. Collins Stewart plc is the ultimate controlling entity of the Collins Stewart Employee Share Ownership Trust. The balances reported above arose when Collins Stewart plc was a related party.

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 36 to 38.

	2010 £m	2009 £m
Short term benefits	**5.9**	6.3
Share-based awards	**(1.3)**	0.3
	4.6	6.6

The credit arising on share-based awards in 2010 reflects the lapse of the long term incentive award (2008) during the year (Note 28).

37. Principal subsidiaries and undertakings

At 31 December 2010, 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) WLL*	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%
OTC Valuations Ltd.	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 Investment Holdings Limited	England	Holding 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%

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

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2010

37. Principal subsidiaries and undertakings continued

Subsidiary undertakings	Country of incorporation	Principal activities	Issued ordinary shares, all voting
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	Poland	Broking	100%
Tullett Liberty (Energy) Holdings Pte. Ltd.	Singapore	Holding company	100%
Tullett Prebon Energy (Singapore) Pte. Ltd.	Singapore	Broking	100%
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 Financial Services LLC	USA	Broking	100%
Tullett Prebon (Americas) Holdings Inc.	USA	Holding company	100%
Tullett Prebon Americas Corp	USA	Holding company	100%

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

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.

38. Events after the balance sheet date

On 8 February 2011, the Group entered into a new £235m credit agreement consisting of a £120m amortising term loan facility and a £115m committed revolving credit facility. These facilities replaced the previous facilities outstanding at that date, a £180m term loan and a £50m committed revolving credit facility that were due to mature in January 2012. The new term loan is subject to repayments of £30m in each of February 2012 and February 2013 with £60m maturing in February 2014. The committed revolving credit facility, which has not been drawn, will also mature in February 2014.

Independent Auditor's 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 2010 which comprise the Parent Company 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 auditor's 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 auditor
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 and express an opinion on 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 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 Parent 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 2010;

– 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 Parent Company Financial Statements are prepared is consistent with the Parent Company Financial Statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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 2010.

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

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
8 March 2011

Company Balance Sheet

as at 31 December 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Investment in subsidiary undertakings	4	**697.7**	1,188.1
Current assets			
Receivables due within one year	5	**3.2**	–
Cash and cash equivalents		**21.1**	17.0
		24.3	17.0
Creditors: amounts falling due within one year	6	**(0.8)**	(8.0)
Net current assets		**23.5**	9.0
Total assets less current liabilities		**721.2**	1,197.1
Creditors: amounts falling due after one year	6	**–**	(476.2)
Net assets		**721.2**	720.9
Capital and reserves			
Called-up share capital	7	**53.8**	53.8
Share premium	8	**9.9**	9.9
Equity reserve	8	**5.3**	–
Own shares	8	**(0.1)**	(0.2)
Profit and loss account	8	**652.3**	657.4
Shareholders' funds		**721.2**	720.9

The financial statements of Tullett Prebon plc (registered number 5807599) were approved by the Board of directors and authorised for issue on 8 March 2011 and are signed on its behalf by:

Terry Smith
Chief Executive

Notes to the Financial Statements

for the year ended 31 December 2010

1. Basis of preparation

(a) Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act. 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.

Notes to the Financial Statements continued

for the year ended 31 December 2010

2. Significant accounting policies continued
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 2010 of £28.4m (2009: profit £17.8m).

The auditor's remuneration for audit services to the Company was £0.3m (2009: £0.3m).

4. Investments in subsidiary undertakings

	2010 £m	2009 £m
Cost		
At 1 January	**1,188.1**	1,188.7
Capital reduction arising on share-based awards	**(0.9)**	(0.4)
Recharges relating to share-based awards	**(1.6)**	(0.2)
Repurchase of shares by subsidiary undertaking	**(488.2)**	–
Increase in deferred consideration payable	**0.3**	–
At 31 December	**697.7**	1,188.1

On 21 June 2010, as part of a reorganisation of the Group's legal entity structure, the Company's subsidiary, Tullett Prebon Group Holdings plc repurchased at cost, 87,557,603 of its own ordinary shares of 25p each for a total consideration of £488.2m. At that time the Company was indebted to Tullett Prebon Group Holdings plc in the amount of £488.2m and the parties agreed that the consideration for the repurchase would be satisfied by the extinguishment of that liability.

5. Receivables

	2010 £m	2009 £m
Amounts falling due within one year:		
Amounts due from Group undertakings	**3.2**	–

6. Creditors

	2010 £m	2009 £m
Amounts falling due within one year:		
Deferred consideration payable	**0.8**	4.6
Accruals and deferred income	**–**	0.1
Amounts owed to Group undertakings	**–**	3.3
	0.8	8.0
Amounts falling due after one year:		
Deferred consideration payable	**–**	2.2
Amounts owed to Group undertakings	**–**	474.0
	–	476.2

The Company has no borrowings as at 31 December 2010 as a result of the reorganisation of the Group's legal entity structure discussed above.

As at 31 December 2009, the Company's borrowings were as follows:

– a £172.5m loan due to its subsidiary, Tullett Prebon Group Holdings plc. The effective interest rate applicable on this loan was 5.3%;

– a £261.4m loan due to its subsidiary, TP Holdings Limited. The effective interest rate applicable on this loan was 5.0%; and

– a £40.1m loan due to its subsidiary, Tullett Prebon Group Limited. The effective interest rate applicable on this loan was 4.0%.

As part of the Group reorganisation, TP Holdings Limited and Tullett Prebon Group Limited transferred their receivables due from the Company, to Tullett Prebon Group Holdings plc. As at 21 June 2010, the Company's debt to Tullett Prebon Group Holdings plc amounted to £488.2m. This liability was extinguished as part of the share repurchase discussed in Note 4.

7. Called-up share capital

	2010 No.	2009 No.
Allotted, issued and fully paid		
Ordinary shares of 25p	**215,313,584**	215,313,584

	2010 £m	2009 £m
Allotted, issued and fully paid		
Ordinary shares of 25p	**53.8**	53.8

A resolution was passed at the 2010 Annual General Meeting adopting 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 2010

8. Reconciliation of shareholders' funds

	Called-up share capital £m	Share premium account £m	Equity reserve £m	Own shares £m	Profit and loss account £m	Total shareholders' funds £m
Balance at 1 January 2010	**53.8**	**9.9**	**–**	**(0.2)**	**657.4**	**720.9**
Profit for the year	–	–	–	–	28.4	28.4
Dividends paid	–	–	–	–	(32.7)	(32.7)
Debit arising on share-based awards	–	–	–	–	(0.9)	(0.9)
Sale of own shares	–	–	–	–	0.2	0.2
Equity component of deferred consideration	–	–	5.3	–	–	5.3
Shares used to meet share award exercises	–	–	–	0.1	(0.1)	–
Balance at 31 December 2010	**53.8**	**9.9**	**5.3**	**(0.1)**	**652.3**	**721.2**
Balance at 1 January 2009	**53.8**	**9.9**	–	**(0.2)**	**667.8**	**731.3**
Profit for the year	–	–	–	–	17.8	17.8
Dividends paid	–	–	–	–	(27.8)	(27.8)
Debit arising on share-based awards	–	–	–	–	(0.4)	(0.4)
Balance at 31 December 2009	**53.8**	**9.9**	–	**(0.2)**	**657.4**	**720.9**

At 31 December 2010 the Company's distributable reserves amounted to £652.3m (2009: £657.4m).

Equity reserve
The reserve of £5.3m represents the fair value of 1,420,212 ordinary shares issuable on 31 December 2011, following Primex Energy Brokers Limited's completion of acquisition related performance conditions.

Shareholder Information

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Shareholder Information

Financial calendar for 2011

8 March
Preliminary announcement

20 April
Ex-dividend Date

26 April
Dividend Record Date

12 May (2.30pm)
Annual General Meeting

19 May
Dividend payment date

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