tullett prebon

Annual Report 2011

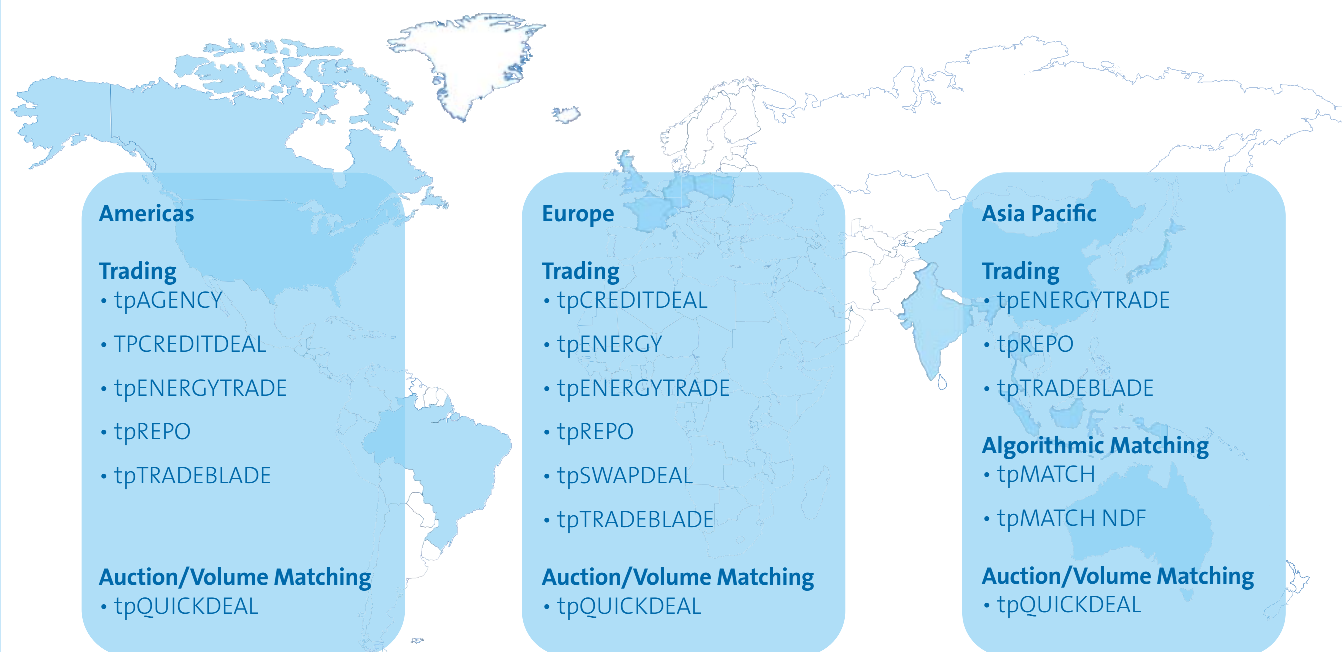
Tullett Prebon is one of the world's largest inter-dealer brokers, and acts as an intermediary in the wholesale financial markets, facilitating the trading activities of its clients, in particular commercial and investment banks.

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 electronic platforms, which complement and support the voice broking capability.

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 Risk Management Services business, which provides clients with post-trade, multi-product matching services, associated market data and independent valuation services.

Tullett Prebon electronic platforms:



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

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Financial highlights

Revenue

£910.2m

2010: £908.5m

Underlying Operating profit

£148.4m

2010: £160.1m

Underlying Operating margin

16.3%

2010: 17.6%

Underlying Profit before tax

£136.1m

2010: £149.0m

Basic Underlying EPS

46.1p

2010: 50.1p

Dividend

16.5p

2010: 15.75p

Underlying figures are stated before the net charge in each year related to the major legal actions between the Company and BGC, the restructuring charge in 2011, tax credits related to those items, and for 2010 the tax credit on capital related items. A table showing Underlying and Reported figures for each year is included in the Financial Review.

Chairman's Statement

The Company has taken a realistic and open approach to the challenges arising since the start of the world's financial and economic problems in 2008. It has maintained its objective of maximising returns to shareholders over the medium to long term, at an acceptable level of risk. Its strategy is to focus on providing valuable services as an intermediary in wholesale over-the-counter markets and it has continued to invest and develop where it can achieve good returns. It is well run and conservatively financed.

Results

The results are explained in detail in the Business Review. The financial results for 2011 demonstrate the strength of the business in challenging market and competitive conditions.

Revenue for the year of £910.2m was in line with that reported for 2010. Revenue was 2% higher using constant exchange rates, and adjusting for Convenção which was acquired in August 2011, and for the satellite offices in the Americas which were closed or exited during the second half of 2010. As market activity in 2011 was lower overall than in 2010, this was a good performance reflecting the benefit of continued investment.

Underlying operating profit of £148.4m was 7% lower than for 2010 with the underlying operating margin at 16.3% compared to 17.6% for 2010. The reduction in operating margin is primarily driven by the increase in broker compensation costs as a percentage of broking revenue to 59.6% due to the increased costs of employment, reflecting the highly competitive market for brokers and the significant investment that has been made in rebuilding the business in the Americas.

Financing costs were slightly higher in 2011 than in 2010, and the underlying profit before tax of £136.1m compares with £149.0m in 2010. With a reduction in the effective tax rate on underlying profit before tax to 27.1%, underlying basic earnings per share were 8% lower than last year at 46.1p.

The business has again generated a strong cash flow. Operating cash flow for the year was £136.8m, representing 92% of underlying operating profit, and at the end of the year net funds amounted to £107.1m, an increase in the year of £39.3m.

Exceptional items

In order to give clarity to the operating performance of the business, the results are presented showing charges relating to exceptional items separately from the underlying results. There are two areas in which the Company has incurred exceptional items during the year.

The first exceptional item with a net charge of £6.6m relates to major legal actions that the Company is engaged in with BGC, one of the business's competitors. The legal actions that the Company has brought against BGC relate to the raids by BGC on the Company's operations in London and North America in 2009. The Company has a duty to shareholders to seek to enforce its contractual rights, and although legal action can be protracted and expensive it is appropriate to take action in order to do so. The action in the UK has concluded satisfactorily and the actions in North America are continuing. The charge also includes the costs of defending, and provision for the estimated cost of resolution of, a claim brought by BGC Market Data against the Company.

The second exceptional item of £11.5m relates to the restructuring actions that the Company has taken, in the light of the market and competitive conditions, to reduce costs and to maintain flexibility in the cost base. Further actions will be taken in the first half of 2012. The Company has a good record on cost management, and on addressing the cost base to support future profitability when circumstances require it.

Dividends and shareholder returns

The Company's overall objective is to maximise returns to shareholders over the medium to long term through managing and developing the business.

After a good performance in 2010, total shareholder return for 2011 was 27% negative which is in line with the return from the General Financials sector index, but worse than the return from the FTSE 250 index of 10% negative. This reflected an increased level of uncertainty around the prospects for financial services businesses in the current environment. We will continue to focus on the fundamentals of the business rather than the short term share price, although the Board recognises that the earnings multiple currently applied to the Company remains relatively low.

The Board recognises that dividends are an important element of shareholder return and is recommending a final dividend of 11.25p per share, making the total dividend for the year 16.5p per share, an increase of 5% on the 15.75p per share paid for 2010. The final dividend will be payable on 17 May 2012 to shareholders on the register on 27 April 2012.

Strategy and return on capital

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

Over the last few years investment has been made to build and develop the business and to respond to the various regulatory changes affecting our markets. As a result the level of capital employed in the business has increased, although this has been well managed and amounts to only £40m since 2007. We will continue to invest 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. These investments will focus on those areas of business in which we have a strong advantage and the opportunity to make good returns. They will be assessed on the basis of cash generation and cash return on investment.

The return on capital employed in 2011 was 37%.

Business model and risk

The Company's business model is based on generating a return from providing a facilitation service to clients, enabling them to trade efficiently and effectively. This service can be provided, and good returns can be generated, without actively taking credit and market risk.

The business acts only as an intermediary in the financial markets, which means that the risk inherent in its activities is low. We are willing to accept an unavoidable limited amount of risk as a consequence of our broking activities, but the business does not take any trading risk and does not hold principal trading positions. The majority of broking activities are on a Name Give-Up basis where the business is not at any time a counterparty to the trade. In Matched Principal activities the business only holds financial instruments for identified buyers and sellers in matching trades. Such transactions are settled rapidly through settlement agents who deliver the instruments against payment. The business does not retain any contingent risks.

The Board and the Audit Committee have again thoroughly analysed the risks faced by the business and the controls in place to mitigate and manage them. This work is supported by a programme of Internal Audit activities. Our risk management

governance, principles and policies, and risk profile, are discussed in detail in the Business Review. An area of focus this year has been the heightened exposure to potential counterparty credit risk, particularly due to events in the Eurozone, and we have reviewed and monitored the processes and procedures to mitigate risk in this area. We have also reviewed the strategic and business risks arising both from regulatory changes that directly impact the business, and the indirect impact that regulatory developments and deteriorating market conditions could have on our customers.

Regulatory developments
Progress has been made in the process of agreeing and introducing reforms designed to strengthen the financial system and to improve the operation of the financial markets.

We agree with the objectives and support the direction of these reforms. We believe that their introduction will be positive for our business as the proposals formalise the role of the intermediary in the OTC markets.

Financing
The Company is conservatively financed. The Company's total gross cash balances at the end of the year were £373m, compared to the £270m of gross debt outstanding. The Company's bank facilities at the end of the year comprised an amortising term loan of £120m and a £115m committed revolving credit facility that remained undrawn throughout the year. These facilities mature in February 2014. The Company's only other significant borrowing is through a £141m bond that matures in 2016. The Company has an attractive debt maturity profile and significant financial flexibility.

The benefit of the Company's conservative approach to the financing and investment strategy of its two closed defined benefit pension schemes in the UK has been demonstrated by an increase in the accounting surplus in the schemes since last year end, despite the reduction in the discount rate used in the valuation of the liabilities. The triennial actuarial valuations of the schemes which were completed in early 2011 show significant funding surpluses, and the Company is now only making contributions to meet the expenses of the schemes.

Remuneration
The Remuneration Report is set out on pages 38 to 43. The Remuneration Committee is chaired by my colleague Rupert Robson.

The inter-dealer broking sector has high levels of remuneration and the retention and recruitment of broking staff has remained subject to strong competitive pressure. In North America it has also been necessary to rebuild the business through recruitment.

The FSA's Remuneration Code came into effect for the Company on 1 January 2011. 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. As a listed company with an existing governance structure exercising strong oversight of remuneration within the business, no major changes were required to our remuneration policies or governance arrangements in order for us to comply with the Code.

The management has to overcome challenges in this area because most of our major competitors are not EU headquartered and are therefore not subject to the requirements of the Code.

The Remuneration Committee approves the remuneration for the senior management of the business and determines the remuneration for the executive directors. The arrangements relating to executive directors are on a basis on which the main shareholders have been consulted over a number of years. In exercising its responsibility the Remuneration Committee works to the principle of being sensitive to returns to shareholders in reviewing and determining levels of remuneration.

Board composition and governance
The Company benefits from having a strong and experienced Board of directors who work well together. Following review of the composition of the Board, the Nominations Committee specified the qualities it sought for two additional non-executive directors to reinforce the Board, and as part of its succession planning.

Angela Knight and Stephen Pull joined the Board as independent non-executive directors with effect from 1 September 2011. As planned, Angela Knight took over as Senior Independent Director in February 2012. I am delighted that we have been able to attract non-executive directors of their quality and experience to the Company.

Richard Kilsby retired from the Board at the end of 2011 having served as a non-executive director of the Company and Chairman of the Audit Committee since the Company became an independent PLC in 2006. On behalf of the Board, I would like to thank Richard for his contribution. David Clark, who has considerable knowledge of the activities of the sector, agreed to take over the role of Chairman of the Audit Committee.

We are currently in the process of recruiting a further non-executive director with the expertise to chair the Audit Committee. David Clark has kindly agreed to the Board's request to defer his planned retirement until we have completed that recruitment and an effective handover.

The Company is subject to the UK Corporate Governance Code, which includes the provision that all directors of FTSE 350 companies should be subject to annual re-election by shareholders. All the directors are therefore standing for election or re-election at the AGM this year, and we are also seeking shareholder approval to amend the Articles of Association to include the requirement that directors seek annual re-election.

Outlook
Market and competitive conditions are expected to continue to be challenging. The world's financial markets remain unsettled, however, and it seems reasonable to expect that there will be some periods of market volatility and heightened activity during 2012, as well as periods of more subdued activity.

The business has made a reasonable start to the year. Revenue in the first two months of 2012, at constant exchange rates and excluding the recent acquisitions of Convenção and Chapdelaine, is 1% lower than in the same period last year. Actions have been taken to reduce costs and to maintain flexibility in the cost base, although the business does face increased costs relating to electronic platform developments and impending regulatory changes.

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 agree with the objectives and support the direction of the reforms designed to strengthen the financial system and to improve the operation of the financial markets. We consider that the introduction of these reforms will be positive for our business as the proposals formalise the role of the intermediary in the OTC markets. 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 various new OTC market regulations that will be introduced.

Keith Hamill
Chairman
6 March 2012

Business Review

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OBJECTIVES, STRATEGY, BUSINESS MODEL AND RISK PROFILE

Objectives

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

Strategy

The strategy to achieve the Company's 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 and ensure compliance with anticipated regulatory reforms;

– development of the Company's information sales business;

– development of value added post-trade services;

– focus on maintaining contribution rates; and

– focus on maintaining an appropriately sized support cost base.

Business model and risk profile

The Company's business model is based on generating a return from providing a facilitation service to clients, enabling them to trade efficiently and effectively. This service can be provided, and good returns can be generated, without actively taking credit and market risk.

The Board has set a low risk appetite, in accordance with which the Group does not actively seek risk in order to generate a return but is willing to accept a limited amount of risk as a consequence of its broking activities, principally counterparty credit risk and operational risk. This is reflected in the business model adopted by the Group whereby it acts only as an intermediary in the financial markets. The Board has explicitly prohibited any active taking of trading risk and the business does not trade for its own account. However, whilst the Company does not actively seek to assume risk as part of its business model, the Company is exposed to certain risks as a consequence of its broking activity, primarily to operational risk but also to a limited amount of credit and market risk.

The business of the Group is conducted through three distinct broking models: the Name Give-Up model (also known as the Name Passing model); the Matched Principal model; and the Executing Broker model.

Around three-quarters of the revenue is derived from Name Give-Up activities, where the business is not a counterparty to the trade, and where its exposure to a client is limited to outstanding invoices for commission. 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 mainly derived from Matched Principal activities, where the Group is the counterparty to both sides of a matching trade and consequently bears counterparty credit risk during the period between execution and settlement of the trade. Once a Matched Principal transaction has settled (usually 1-3 days after trade date), there is no ongoing risk for the business. To mitigate settlement risk the business undertakes transactions on a strict Delivery versus Payment basis. In the event that a client defaults prior to settlement 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 the Group's exposure becomes a market risk. This risk is mitigated by the use of central counterparty services and other default risk transfer agreements, where appropriate, and by taking swift action to close out any position that arises as a result of a client default. In addition to credit risk, the Group's Matched Principal activity also gives rise to limited market risk as a result of the infrequent residual balances which result from the Group's inability to match client orders precisely.

The Group also brokers certain transactions as an Executing Broker, under an International Uniform Brokerage Execution Give-up agreement (or equivalent), whereby the Group executes transactions on certain regulated exchanges as per client orders, and then 'gives-up' the trade to the relevant client (or its clearing member). The Group is exposed to short term pre-settlement risk during the period between the execution of the trade and the client claiming the trade. This exposure is minimal, as under the terms of the 'give-up' agreements the Group has in place with its clients, trades must be claimed by the end of trade day. Once the trade has been claimed, the Group's only exposure to the client is for the invoiced receivables.

The Group's broking activity gives rise to various operational risks. These include the risk of business disruption, employee error and the failure of a business process or IT system, as well as the risk of litigation being brought against the Group.

Discussion of the Group's risk management governance, principles and policies, and risk profile is included on pages 15 to 19.

Business Review
continued

OVERVIEW

The financial results for 2011 demonstrate the strength of the business in challenging market and competitive conditions, and the value of the service the business provides to participants in the world's OTC financial markets.

The business benefits from the increased volumes in the financial markets that occur during periods of market turbulence, but levels of activity tend to reduce sharply when volatility is overshadowed by structural uncertainty. Although the world's financial markets remained unsettled throughout the year, yield curves in the world's major developed economies flattened further, dampening activity in certain asset classes. Whilst there were periods of significant market volatility which resulted in heightened levels of activity, most notably in the first two weeks of August and the second two weeks of November, there were also some relatively prolonged periods of more subdued activity.

Revenue in 2011 was in line with that reported for 2010. Using constant exchange rates, and adjusting for Convenção which was acquired in August 2011, and for the satellite offices in the Americas which were closed or exited during the second half of 2010, revenue was 2% higher. As market activity in 2011 was lower overall than in 2010, which is reflected in a 3% reduction in average revenue per broker, the increase in revenue reflects the benefit of continued investment in the business.

The business in Europe continued to perform strongly, benefiting from the more favourable market conditions in the second half of the year, and from the investments made to strengthen market positions in Credit and Energy in London, and in broadening the base of the business in Continental Europe. The quality of the business in Europe and the value of the service it provides to clients were recognised by a number of awards during the year, including best broker for Forward FX and currency options in the FX Week awards, top broker in currencies in the Risk annual inter-dealer rankings, and top broker for cash bonds in the Credit inter-dealer broker rankings.

Significant progress has been made in the development of the business in the Americas region. We have re-established our presence in those product areas affected by the raid on the business in 2009, and with the twenty-six strong credit broking team who joined the business in New York in early January, headcount on the affected desks is largely back to the levels before the defections. New senior management for the Americas region started in June, increasing our regional management capability as we entered a phase of further investment in the region. The acquisition of Convenção, an inter-dealer broker based in São Paulo, Brazil, completed on 9 August 2011. This business provides the base for further expansion in both Brazil and other countries in Latin America. The acquisition of Chapdelaine & Co., a leading municipal bonds broker based in New York, completed in early January 2012.

The business in Asia has performed well despite the reduction in the level of market activity in Tokyo since the earthquake in March, benefiting from the investment in Hong Kong to support onshore and offshore activity in the financial markets for instruments denominated in Renminbi.

We have continued to develop our electronic broking capabilities, and we are developing platforms to provide clients with the flexibility to transact either entirely electronically or via the business's comprehensive voice execution broker network. This hybrid model is consistent with the nature and operation of the majority of the OTC product markets which depend upon the intervention and support of voice brokers for their liquidity and effective operation.

In the last quarter of the year we launched tpSWAPDEAL, our hybrid interest rate swap trading platform. The platform has streaming price support in Euro denominated interest rate swaps from our main liquidity providing banks and has been installed on the desktops of the interest rate swap client base in Europe. Trades have been successfully executed through the platform, although the inter-dealer market for interest rate swaps continues to be executed predominantly through voice brokers. tpSWAPDEAL runs on exchange-grade technology and can be deployed quickly for other currencies and derivative products. In addition to standard electronic platform functionality, tpSWAPDEAL has a number of features designed to replicate and enhance the advantages of the current voice market. We intend to launch similar platforms for a number of other products, which are designed to be effective within both the current trading landscape and under all currently anticipated regional regulatory environments.

We are well positioned to respond to and benefit from changes in the way in which OTC product markets operate as a result of the regulatory reforms of these markets in both the USA and Europe. Our view of the current status of the regulatory developments is set out below. We continue to believe that the direction of the regulatory reforms reinforces the role of the intermediary in the OTC markets, and that the introduction of electronic platforms reflects an evolution of the facilitation service that the business provides, rather than fundamentally changing the way in which OTC markets operate.

The Information Sales business has continued to perform strongly, benefiting from the investment that has been made to increase the breadth of the data the business offers to customers, and the increasing customer awareness of the value of independent pricing data, most notably from the risk management and compliance functions of banks and other financial institutions who are driving this demand in response to increased regulatory oversight. The business was named Best Data Provider (Broker) at the Inside Market Data Awards in May, a clear endorsement of our position as the leading provider of OTC price information and data to market participants. In the post-trade Risk Management Services business, the tpMATCH platform, which assists clients in the management of interest rate risk, has been extended to cover an increased number of currencies, and towards the end of the year the business launched a platform to assist clients in their management of non-deliverable forwards date mismatches.

Revenue from products supported by electronic platforms, together with Information Sales and Risk Management Services revenue, has increased by 14% to £171m, accounting for nearly one-fifth of total revenue in 2011. The proportion of that revenue that is derived from voice-only execution has reduced to one-third, compared to 39% in 2010 and 55% in 2009, reflecting the increased proportion derived from trades conducted through the platforms.

In order to give clarity to the operating performance of the business, the results are presented showing charges relating to exceptional items separately from the underlying results. There are two areas in which the Company has incurred exceptional items during the year: the major legal actions that the Company is engaged in, and the restructuring actions that the Company has taken to reduce costs and to maintain flexibility in the cost base. The charges related to these items are discussed below.

Our key financial and performance indicators for 2011 compared with those for 2010 are summarised in the table below.

Underlying operating profit of £148.4m is 7% lower than for 2010 with the underlying operating margin at 16.3% compared to 17.6% for 2010. The reduction in underlying operating margin is primarily driven by the increase in broker compensation costs as a percentage of broking revenue.

The 1.1% points increase in broker compensation costs as a percentage of broking revenue to 59.6% is due to the increased costs of employment in the Americas and to a lesser extent in Europe, reflecting the highly competitive market for brokers and the significant investment that has been made in rebuilding the business in the Americas.

The year end broker headcount of 1,667 includes the 43 brokers who joined the business through the acquisition of Convenção and the 26 credit brokers who joined the business in New York in January 2011. The business also made a number of individual broker hires during the year, but this was offset by the impact on broker headcount of the actions taken prior to the end of the year to reduce costs and increase flexibility, as discussed below.

The increase in broking support headcount reflects the 34 heads who joined the business through the acquisition of Convenção, and the increase in the second half of the year in the headcount supporting the development and administration of electronic platforms and related developments.

	2011	**2010**	**Change**
Revenue	**£910.2m**	£908.5m	+0%
Underlying Operating profit	**£148.4m**	£160.1m	-7%
Underlying Operating margin	**16.3%**	17.6%	-1.3% points
Broker headcount (year end)	**1,667**	1,601	+4%
Average broker headcount*	**1,652**	1,588	+4%
Average revenue per broker* (£'000)	**524**	540	-3%
Broker employment costs: broking revenue	**59.6%**	58.5%	+1.1% points
Broking support headcount (year end)	**750**	679	+10%

* Excluding Convenção and satellite offices.

Business Review
continued

OPERATING REVIEW

The tables below analyse revenue by product group and by region, and underlying operating profit by region, for 2011 compared with 2010.

In order to give a more meaningful analysis of revenue performance, the tables show the revenue from Convenção, which was acquired in August 2011, and from the satellite offices in the Americas, which were closed or exited during the second half of 2010, separately. A significant proportion of the Group's activity is conducted outside the UK and the reported revenue is therefore impacted by the movement in the foreign exchange rates used to translate the revenue from non-UK operations. The tables therefore show revenue for 2010 translated at the same exchange rates as those used for 2011, with growth rates calculated on the same basis. The revenue figures as reported are shown in Note 3 to the Consolidated Financial Statements.

The underlying operating profit and operating margin by region shown below are as reported.

At constant exchange rates, and adjusting for Convenção and the satellite offices, revenue was 2% higher in 2011 than 2010.

Revenue from Treasury Products was 2% higher, reflecting good growth in forward FX, particularly in the Americas which benefited from higher levels of activity in emerging markets products, and in FX options in all three regions, which offset a decline in revenue from cash and deposits broking.

The 2% decline in revenue from Interest Rate Derivatives reflects revenue growth in emerging market interest rate derivatives and in interest rate options, offset by lower activity in the traditional major currency interest rate swaps markets, reflecting the low level of interest rates in the world's major economies throughout the period.

The 4% growth in revenue in Fixed Income reflects a strong performance in credit products in both Europe and the Americas, partly offset by lower revenue in mortgage backed securities in the Americas. The credit business in the Americas has benefited from the investments that have been made in rebuilding our presence in that area, including the twenty-six strong credit broking team who started with the business in early January 2011. The decline in revenue in mortgage backed securities reflects the reduction in the number of brokers and the lower level of market activity in those products. The traditional 'flow' European government bond business benefited from the periods of market volatility and heightened activity in the second half of the year.

Revenue in Equities is derived predominantly from the broking of equity derivatives, and the decline in revenue reflects the lower level of market activity in those products.

Although oil markets were fairly steady in 2011, revenue in Energy increased, reflecting higher activity in natural gas, and the benefit from an increase in headcount in the Americas in gas and oil products, to complement the region's traditional strength in power products.

More than half of the growth in revenue from Information Sales was generated from new customers, with the balance coming from existing customers subscribing for additional data. In Risk Management Services the revenue from the tpMATCH platform has increased significantly as clients continue to be attracted to the product flexibility and tailored service offered.

Revenue by product group	2011 £m	2010 £m	Change
Treasury Products	**254.3**	248.8	+2%
Interest Rate Derivatives	**200.9**	205.3	-2%
Fixed Income	**256.3**	245.3	+4%
Equities	**48.3**	51.4	-6%
Energy	**106.0**	103.2	+3%
Information Sales and Risk Management Services	**39.0**	32.9	+19%
	904.8	886.9	+2%
Convenção	**5.4**		
Satellite offices		18.4	
At constant exchange rates	**910.2**	905.3	+1%
Exchange translation		3.2	
Reported	**910.2**	908.5	+0%

Revenue by region	2011 £m	2010 £m	Change
Europe	**548.3**	538.2	+2%
Americas	**237.1**	230.8	+3%
Asia Pacific	**119.4**	117.9	+1%
	904.8	886.9	+2%
Convenção	**5.4**		
Satellite offices		18.4	
At constant exchange rates	**910.2**	905.3	+1%
Exchange translation		3.2	
Reported	**910.2**	908.5	+0%

Europe
Revenue in Europe in 2011 was 2% higher than in 2010. Average broker headcount in Europe was 4% higher than in the prior year which offset a 2% decline in average revenue per broker reflecting the generally more subdued market, particularly in the first half of the year. Revenue in Europe in the second half of the year benefited from more favourable market conditions, and was 12% higher than in 2010.

Revenue in both Treasury Products and Interest Rate Derivatives was unchanged from the previous year, with growth in emerging markets products and the volatility products of FX options and interest rate options offsetting lower volumes in cash deposits, and in the traditional major currency interest rate swap markets.

In Fixed Income, revenue from government bonds, including repos and futures and options, was slightly higher than in the previous year after a strong second half. Revenue from corporate bonds and credit derivatives was up strongly, reflecting the investment in that area and favourable market conditions in the second half. The Equities business, which is the smallest product group in Europe, reported lower revenue for the year as the lower activity in equity derivatives in the first half more than offset the benefit of more favourable market conditions in the second half. The Energy business has continued to perform well benefiting from active markets, particularly in natural gas.

Americas
Revenue in the Americas in 2011 was 3% higher than in 2010. Average broker headcount in the region was 6% higher than in 2010 which offset a decline in the average revenue per broker reflecting the reduction in market activity.

The business delivered good growth in revenue in Treasury Products, particularly in emerging markets currencies and FX options. Revenue in Interest Rate Derivatives was lower as the growth in emerging markets products was more than offset by the lower activity in the US dollar market. Within Fixed Income, revenue from corporate bonds was substantially higher reflecting the investment made in that area, but this was partly offset by lower activity and reductions in the number of brokers in mortgage backed securities. Within Energy, revenue from natural gas and oil products was higher.

Asia Pacific
Revenue in Asia Pacific has increased by 1%. The average broker headcount in the region was 2% higher, largely offsetting the reduction in average revenue per broker, with the increase in revenue reflecting the growth of the Risk Management Services business, much of which is operated from Singapore. The rate of growth of revenue in Asia Pacific was held back by the performance in Japan where the level of market activity has not fully recovered since the earthquake in March. Excluding Japan, revenue in Asia was 8% higher than in 2010.

Much of the business in Asia Pacific is focused on Treasury Products and Interest Rate Derivatives, and the underlying revenue growth reflects higher levels of activity in both cash and non-deliverable Renminbi and Taiwanese dollar denominated products in these areas, as well as the continued development of the breadth of products brokered in the region.

Underlying operating profit by region	2011 £m	2010 £m	Change
Europe	**124.6**	126.7	-2%
Americas	**9.1**	24.2	-62%
Asia Pacific	**14.7**	9.2	+60%
Reported	**148.4**	160.1	-7%

Underlying operating margin by region	2011	2010
Europe	**22.7%**	23.6%
Americas	**3.8%**	9.3%
Asia Pacific	**12.3%**	8.1%
	16.3%	17.6%

Underlying operating profit in Europe was down 2% and with revenue in the region 2% higher, the underlying operating margin has reduced slightly to 22.7%. The main driver of the reduction in margin is the increase in broker employment costs as a percentage of revenue, and an increase in support costs reflecting the investments being made in new offices in Continental Europe and to support higher headcount in London.

Underlying operating profit in the Americas has more than halved and the underlying operating margin has fallen to 3.8%. The main driver of the reduction in profitability is the increase in broker employment costs as a percentage of revenue reflecting the competitive environment for brokers in the region and the costs of investment in rebuilding the scale of the business.

In Asia Pacific underlying operating profit has increased by 60%, with the underlying operating margin increasing to 12.3%. Broker employment costs as a percentage of broking revenue are lower than last year reflecting the benefit of the swift action taken to respond to the lower level of revenue in Tokyo. The increase in margin also reflects the tight control of other costs in the region and the benefit of the growth in Risk Management Services which has a higher operating margin than broking.

RESTRUCTURING COSTS

Market and competitive conditions are expected to continue to be challenging, and in the light of this and the increased costs faced by the business relating to electronic platform developments and other costs related to impending regulatory changes, a number of actions were taken prior to the end of the year to reduce costs and to maintain flexibility in the cost base.

The actions taken prior to the year end will result in a reduction in headcount of 80, primarily in the front office, with a cost of £11.5m and an annual reduction in fixed costs of approximately the same amount.

Most of the actions taken involve the exit, or restructuring of contracts, of individual brokers in order to ensure that the business is well positioned to respond to potentially less favourable market conditions, by increasing the flexibility of front office costs. As part of this exercise the equity derivatives desk in Tokyo has been closed, with that business in Asia now serviced from Hong Kong, and the small OTC Valuations business which was part of Risk Management Services has also been closed.

Further actions are being taken in the first half of 2012 which are expected to reduce headcount by around another 80, covering a number of support staff including those affected as a result of the integration of Chapdelaine & Co., as well as some further front office headcount reductions. A charge of around £7m reflecting the cost of these actions will be included in the 2012 accounts with an annual reduction in fixed costs as a result of these actions of approximately the same amount.

LITIGATION

The legal action that the Company had taken in London against BGC, two of BGC's senior directors and ten former Company brokers, in response to a raid by BGC in early 2009 on the London business, was settled in the first half of the year. As part of the settlement it was agreed that no further statement would be made by either side about the settlement or the dispute.

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 on the business by BGC in the second half of 2009 have brought a claim against BGC in arbitration pursuant to the rules of the Financial Industry Regulatory Authority ('FINRA'). The FINRA arbitration is scheduled to be heard during 2012 and 2013. A separate action has also been brought by the Company in the New Jersey Superior Court, alleging, among other causes of action, violations under the Racketeer Influenced and Corrupt Organizations ('RICO') Act.

The claim by BGC Market Data and certain of its affiliates, alleging that the Company misappropriated data supplied to its information sales subsidiary in violation of a redistribution agreement, has been heard in arbitration under the rules of the American Arbitration Association, and the outcome of the arbitration is expected to be known imminently. A provision for the estimated cost of the resolution of this claim has been included in the 2011 results.

The £6.6m (2010: £7.7m) net charge reflects the costs incurred in bringing and defending these actions and the provision for the estimated cost of the resolution of the claim against the Company, net of the settlement received from the legal action taken in London.

FINANCIAL REVIEW

The results for 2011 compared with those for 2010 are shown in the tables below:

2011

Profit and Loss £m	Underlying	Exceptional Items	Reported
Revenue	**910.2**		**910.2**
Operating profit	**148.4**		**148.4**
Charge relating to major legal actions		**(6.6)**	**(6.6)**
Restructuring costs		**(11.5)**	**(11.5)**
Operating profit	**148.4**	**(18.1)**	**130.3**
Finance income/(expense)	**(12.3)**		**(12.3)**
Other gains and losses		**1.2**	**1.2**
Profit before tax	**136.1**	**(16.9)**	**119.2**
Tax	**(36.9)**	**6.6**	**(30.3)**
Associates	**1.2**		**1.2**
Minorities	**(0.7)**		**(0.7)**
Earnings	**99.7**	**(10.3)**	**89.4**
Average number of shares	**216.5m**		**216.5m**
Basic EPS	**46.1p**		**41.3p**

2010

Profit and Loss £m	Underlying	Exceptional Items	Reported
Revenue	908.5		908.5
Operating profit	160.1		160.1
Charge relating to major legal actions		(7.7)	(7.7)
Operating profit	160.1	(7.7)	152.4
Finance income/(expense)	(11.1)		(11.1)
Profit before tax	149.0	(7.7)	141.3
Tax	(42.2)	8.5	(33.7)
Associates	1.5		1.5
Minorities	(0.6)		(0.6)
Earnings	107.7	0.8	108.5
Average number of shares	214.9m		214.9m
Basic EPS	50.1p		50.5p

Finance income/(expense)
An analysis of the net finance expense is shown in the table below:

	2011 £m	2010 £m
Receivable on cash balances	**2.3**	1.6
Payable on Eurobonds	**(10.5)**	(10.5)
Payable on bank facilities, including commitment fee	**(5.1)**	(2.6)
Amortisation of debt issue costs	**(1.4)**	(1.2)
Other interest	**(0.3)**	–
Non-cash finance income/expense	**2.7**	1.6
	(12.3)	(11.1)

The increase in the net finance expense reflects the higher interest and commitment fees payable on the new bank facilities entered into in February 2011, partly offset by an increase in the interest income on cash deposits and higher net non-cash finance income.

The net non-cash finance income comprises the net of the expected return and interest on pension scheme assets and liabilities of £2.9m (2010: £1.6m) partly offset by the amortisation of the discount on deferred consideration of £0.2m (2010: nil).

Other gains and losses
The £1.2m of other gains and losses comprises the £0.9m gain from the release of the deferred consideration related to OTC Valuations which will not be paid, and a £0.3m fair value gain arising from the consolidation of Tullett Liberty (Bahrain) which was previously accounted for as an associate.

Tax
The effective rate of tax on underlying PBT is 27.1% (2010: 28.3%). The reduction in the effective rate compared with 2010 results primarily from the reduction in the corporate tax rate in the UK by 1.5% points to 26.5%, and from the increase in the proportion of taxable profits generated in the UK and Asia relative to the US.

The tax credit on exceptional items reflects the net tax relief on those items at the relevant rate for the jurisdiction in which the charges are borne. In 2010 the tax credit on exceptional items includes the tax benefit arising in the US from the write down of goodwill under US GAAP in the local accounts.

Basic EPS
The average number of shares used for the basic EPS calculation of 216.5m (2010: 214.9m) reflects the 215.3m (2010: 215.3m) shares in issue throughout the year, plus the 1.4m (2010: nil) shares that were certain to be issued to the vendors of Primex Energy Brokers Limited as part of the final deferred consideration payment, less the 0.2m (2010: 0.4m) shares held on average during the year by the Employee Benefit Trust and Employee Share Ownership Trust as these Trusts have waived their rights to dividends.

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 Company'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	
	2011	2010	2011	2010
US dollar	**$1.61**	$1.55	**$1.55**	$1.57
Euro	**€1.15**	€1.17	**€1.20**	€1.17
Singapore dollar	**S$2.02**	S$2.12	**S$2.02**	S$2.01
Japanese Yen	**¥129**	¥136	**¥120**	¥127

Cash flow and financing

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

	2011 £m	2010 £m
Underlying Operating profit	**148.4**	160.1
Share-based compensation	**1.4**	(0.9)
Depreciation and amortisation	**8.8**	9.4
EBITDA	**158.6**	168.6
Capital expenditure (net of disposals)	**(12.4)**	(12.4)
Increase in initial contract prepayments	**(14.1)**	(7.6)
Other working capital	**4.7**	(8.9)
Operating cash flow	**136.8**	139.7
Exceptional items – restructuring cash payments	**(2.9)**	–
Exceptional items – major legal actions net cash payments	**(0.5)**	(7.7)
Interest	**(13.4)**	(11.5)
Taxation	**(34.2)**	(27.5)
Dividends received from associates/(paid) to minorities	**0.5**	1.1
Defined benefit pension scheme funding	**(0.8)**	(8.8)
ESOT transactions	**–**	1.7
Acquisitions	**(12.6)**	(2.4)
Investments	**(3.5)**	1.7
Cash flow	**69.4**	86.3

In 2011 the business has again delivered a substantial operating cash flow, representing 92% (2010: 87%) of underlying operating profit.

Around three-quarters of the net capital expenditure of £12.4m relates to investment in the development of electronic platforms and associated infrastructure, with the balance related to improvements to various leasehold offices.

The initial contract prepayments balance has increased as payments in the year, including the amounts paid to the credit brokers who joined the business in early January 2011 in the Americas, were higher than the amortisation.

The other working capital inflow in 2011 primarily reflects the reduction in invoiced receivables balances at the end of the year compared to the previous year end due to good cash collections.

The exceptional items restructuring cash payments of £2.9m in 2011 are significantly lower than the £11.5m profit and loss charge. Of the total charge £2.4m is non-cash, reflecting the write down of unamortised initial contract payments and a small amount of accelerated depreciation on fixed assets. The remainder of the cash element of the charge will be paid during 2012. The exceptional items major legal actions net cash payments of £0.5m reflects the profit and loss charge less amounts which were provided in the year but not paid.

Interest payments in 2011 were in line with the profit and loss charge for net cash finance expenses adjusted for the amortisation of debt issue costs.

Tax payments in 2011 were slightly higher than in 2010 reflecting higher tax payments in Asia due to the higher level of profit, and in the UK reflecting the timing of payments.

Following the triennial actuarial valuations of both of the UK defined benefit pension schemes which concluded that each scheme had a significant funding surplus, 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. During 2010 the Group made regular contributions to match the benefits paid and the administration expenses of each scheme, and in addition made contributions of £4.5m under agreements with the trustees of the schemes aimed at eliminating the actuarial deficits.

Expenditure on acquisitions in 2011 includes the payment of consideration to the former employer of the credit broking team who joined the business in the Americas in January 2011, a deferred consideration payment relating to the acquisition of Aspen, and the initial consideration for Convenção. The expenditure on investments includes membership of the LME.

The movement in cash and debt is summarised below:

£m	Cash	Debt	Net
At 31 December 2010	425.7	(357.9)	67.8
Cash flow	69.4	–	69.4
Dividends	(33.9)	–	(33.9)
Debt repayments	(90.2)	90.2	–
Debt issue costs	(3.4)	3.4	–
Amortisation of debt issue costs	–	(1.4)	(1.4)
Cash acquired with subsidiaries	5.0	–	5.0
Effect of movement in exchange rates	0.2	–	0.2
At 31 December 2011	**372.8**	**(265.7)**	**107.1**

At 31 December 2011 the Group held cash, cash equivalents and other financial assets of £372.8m which exceeded the debt outstanding by £107.1m.

At 31 December 2011 the Group's outstanding debt comprised £141.1m Eurobonds due July 2016, £8.5m Eurobonds due August 2014, £120m drawn under an amortising bank term loan facility, and a small amount of finance leases. The term loan is subject to repayments of £30m in each of February 2012 and February 2013 with £60m maturing in February 2014. The Group has a committed £115m revolving credit facility that has remained undrawn throughout the year, which will also mature in February 2014.

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 2011 the market value of the schemes' assets has increased from £169.5m to £183.9m reflecting strong investment returns. Under IAS19 the value of the schemes' liabilities has increased slightly, from £145.9m to £148.4m, with the impact of a reduction in the discount rate offset by a reduction in the inflation assumption and the benefit of the change to CPI from RPI as the basis for the statutory increases in deferred pensions and pensions in payment. Under IAS19 the schemes show a net surplus at 31 December 2011 of £35.5m (2010: £23.6m).

Triennial actuarial valuations of both schemes were undertaken during 2010. These actuarial valuations concluded that each scheme has a significant funding surplus.

Return on capital employed
The return on capital employed ('ROCE') in 2011 was 37% (2010: 42%). ROCE is calculated as underlying operating profit divided by the average capital employed in the business. Capital employed is defined as shareholders' funds less net funds and the net pension surplus, adding back cumulative amortised goodwill and post-tax reorganisation costs related to the integration of the Tullett and Prebon businesses.

Regulatory capital
The Group's lead regulator is the Financial Services Authority ('FSA'). The Group's application for a renewal of its waiver from consolidated capital resources requirements was approved by the FSA on 8 June 2011. The renewed investment firm consolidation waiver runs for five years and will expire on 6 June 2016. The terms of the renewed waiver are the same as those under the previous waiver. Each investment firm within the Group must be either a limited activity or limited licence firm and must comply with its individual regulatory capital resources requirements.

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 solo notional capital resources requirements for each relevant firm within the Group.

The Group's regulatory capital headroom under the financial holding company test calculated in accordance Pillar 1 at 31 December 2011 was £625m (2010: £461m).

The Board is responsible for approving the Group's Internal Capital Adequacy Assessment Process ('ICAAP') required by the FSA. The ICAAP documents the findings of the ongoing Pillar 2 review which seeks to identify the funding requirements and risks faced by the Group, and to calculate how much capital and liquidity resources it is necessary to hold against such risks and requirements. 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.

OTC MARKET REGULATION

Progress continues to be made 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 CFTC and SEC continue to make progress in the drafting of the detailed rules and regulations to implement the principles of the Dodd-Frank Wall Street Reform and Consumer Protection Act governing the regulation and operation of OTC derivatives markets, and most of the final rules relating to Swap Execution Facilities ('SEF') are expected to be issued by the middle of 2012. Implementation of these regulatory reforms including the mandatory clearing requirement for swaps and the requirement that such instruments are traded through a SEF is therefore likely to be phased in during the second half of the year.

In October 2011 the European Commission tabled proposals to revise the Markets in Financial Instruments Directive ('MiFID'). These proposals, which consist of a regulation (MiFIR) and a directive (MiFID II) complement and build on the proposals tabled in September 2010 on the regulation of OTC markets commonly known as the European Markets Infrastructure Regulation ('EMIR'). These various proposals are aimed at making financial markets in Europe more efficient, resilient and transparent. They contain provisions, amongst others, on mandatory clearing requirements for OTC derivatives, trade reporting, permissible trade execution venues for financial instruments including the proposed new category of an Organised Trading Facility, and governance and conduct of business requirements for all trading venues. The proposals are at various stages of the legislative process. EMIR is expected to be finalised during the first half of the year, with subsequent implementation measures due before the end of 2012, in line with the G20 timetable. MiFIR and MiFID II have passed to the European Parliament and the Council for negotiation and adoption, and the detailed technical rules are being developed by the European Securities and Markets Authority. It is envisaged that MiFIR and MiFID II will come into force during 2015.

As we have previously commented, we agree with the objectives and support the direction of these reforms. We believe that their introduction will be positive for our business as the proposals formalise the role of the intermediary in the OTC markets.

RISK MANAGEMENT

Risk management governance

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 governance 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. The Board is also responsible for ensuring that the Group maintains sufficient capital and liquidity resources, both to meet its regulatory capital and liquidity requirements and to support its growth and strategic objectives.

The Board is responsible for approving the Group Risk Assessment Framework, which the Group uses to identify and assess the risks to which the Group is exposed, and the Group Risk Management Principles and Policies document which sets outs the principles and policies adopted by the Board to manage the risks identified. The Board is also responsible for approving the Group's ICAAP in which the Group documents its assessment of the adequacy of its capital and liquidity resources, in accordance with FSA requirements.

Group Treasury and Risk Committee

The Group Treasury and Risk Committee monitors the Group's risk exposure against the agreed risk appetite. 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.

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 risk appetite set by the Board and for maintaining the Group Risk Management Principles and Policies 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.

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.

Credit risk management

The Group's Credit departments are responsible for monitoring the creditworthiness of the Group's counterparties and for the proactive monitoring of counterparty credit exposure against pre-determined limits set by the relevant regional Credit Committee, as well as for providing senior management and the other control functions with timely and accurate reporting of the Group's credit exposure.

Finance

The Group's regional Finance departments are responsible for implementing and monitoring the relevant financial controls, and for providing management with timely and accurate reporting of financial performance against budget and other measures.

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 2011 covered the full 'audit universe' within the Group at different levels of intensity based upon the internal audit plan agreed with the Audit Committee in December 2010. The plan was developed reflecting the results of a risk assessment exercise.

The findings of all internal audits undertaken are reported to the Audit Committee, and actions taken by management in response to the findings are tracked and reported to the Audit Committee. The Audit Committee approved the internal audit plan for 2012 at its December 2011 meeting.

Risk Management Principles and Policies

Risk appetite

Risk appetite is defined as the level of risk the Group is prepared to accept. The Group's risk appetite is set by the Board as part of its determination of the business strategy.

The Board has set a low risk appetite, in accordance with which the Group does not actively seek risk in order to generate a return but is willing to accept a limited amount of risk as a consequence of its broking activities, principally counterparty credit risk and operational risk. This is reflected in the business model adopted by the Group whereby it acts only as an intermediary in the financial markets and does not trade for its own account.

Risk Assessment Framework

The Group identifies and assesses risk through the Group's 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 Group's 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 designated 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.

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 to identify any new risks or exposures that may arise. These include reports detailing the current status of existing controls, audits, loss events, and any required action plans to remedy any identified shortcomings in the control environment.

Risk 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 trading 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.

The Group's Risk Management Principles and Policies 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 and 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 prior to settlement date. In the event of default, 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 original trade price.

Counterparty exposures are kept under constant review and the Group takes steps to reduce counterparty risk where market conditions require. Particular attention is paid to more illiquid markets where the price movement is more volatile, such as broking in GDR, ADR and emerging markets instruments.

The Group is also exposed to short term pre-settlement risk where it acts as an executing broker on an exchange, during the period between the execution of the trade and the client claiming the trade. This exposure is minimal as under the terms of the 'give-up' agreements the Group has in place with its clients, trades must be claimed by the end of trade day. Once the trade has been claimed, the Group's only exposure to the client is for the invoiced receivables.

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 basis. Free of payment deliveries (where an immediate exposure arises due to the Group's settling its side of the transaction without simultaneous receipt of the countervalue) occur very infrequently and only under the application of stringent controls.

Cash deposits – The Group is exposed to counterparty Credit 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 27 to the Accounts).

As with trading counterparties, cash deposit counterparty exposures and limits are kept under review and steps are 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. Receivables 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).

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 to proactively 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 Risk is managed through a combination of effective, relevant and proportionate controls. The policy of devolved responsibility within the Group places the emphasis for the management of operational risks on the senior management of each business unit.

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 has identified three principal categories of Strategic and Business Risk:

- direct regulatory risk;
- commercial risk; and
- technology risk.

Direct regulatory risk – This is the risk of new regulations, such as those currently being drafted in the EU and US in respect of OTC derivative market reforms, imposing a fundamental change to the structure or activity of financial markets, resulting in a reduced role for IDBs.

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

Commercial risk – The Group is exposed to the risk of a fundamental change to the commercial environment, whether market driven or due to the impact on clients of changes to the regulatory environment.

Specific issues could include a potential reduction in trading volumes resulting from regulatory reforms, such as the proposed restriction on proprietary trading to be imposed on certain financial institutions under the Dodd-Frank Wall Street Reform and Consumer Protection Act (through the so called 'Volcker Rule') or the increased capital requirements to be imposed under the Basel III Accord. Alternatively, a significant deterioration in the economic conditions of a country or region, such as that currently faced in the Eurozone, could also lead to a reduction in trading activity and consequential reduction in the Group's revenue.

The Group's strategies for managing and mitigating its commercial risk include geographic and product diversification.

Technology risk – This is the risk that the Group is unable to respond to market demand for electronic broking solutions and loses market share as a result. The Group seeks to address this risk through continued development and enhancement of its electronic broking capability, to ensure that it can offer a competitive solution for all major asset classes.

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 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. This includes undertaking a detailed assessment of the potential margin call exposure for all new business activity which will be cleared through a clearing house, such as that undertaken for the Group's new LME business which commenced in January 2011.

As a normal part of its operations, the Group faces 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, 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 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. This facility remained undrawn throughout 2011.

Further details of the Group's borrowings and cash are provided in Notes 23, 27 and 33.

Interest rate risk – The Group is exposed to interest rate risk on its cash deposits and on its borrowings under bank facilities. The Eurobond debt pays fixed sterling interest. Cash deposits are typically held at maturities of less than three months, and the sterling interest rate exposure is partially hedged by rolling sterling term loans under the bank facility for similar short term periods.

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 27.

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. The Group continues to monitor its currency exposure, particularly in relation to current developments within the Eurozone.

Analysis of the Group's sensitivity to movements in foreign currency exchange rates is set out in Note 27.

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.

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 achieve their own business objectives, and to meet expectations of their own shareholders and their other stakeholders.

The role of interdealer brokers, such as Tullett Prebon, in successfully ensuring liquidity in the capital markets, especially at time of market stress, has been increasingly recognised by organisations involved in the public policy response to the financial crisis. This has provided the opportunity for the Company, both through its professional bodies in the United Kingdom and the United States, and where appropriate directly, to engage with law makers and official bodies to seek to ensure new regulations will not harm the efficient functioning of the capital markets which are in some measure dependent on intermediation provided by companies such as Tullett Prebon.

By successfully remaining a critical part 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 continue making 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 further the CSR activities of the Company in 2011. 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.

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 provides for:

- maintaining high standards of compliance and risk management – ultimately the responsibility of 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 FSA'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, remains crucial to the Company's ongoing success. Management recognises 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, and following on from the middle management career development programme run across its European businesses in 2010, which saw some 50 directors and desk heads complete a career development and business skills training programme, senior regional management from the Company's European business undertook further financial analysis training in 2011. This programme has increased general management capability across the Company's European business and has assisted in the continued process of succession planning.

In 2011 the Company's new regional Chief Executive Officer for the Americas, having completed the reorganisation of his management team, initiated a development programme for the region's senior management and also for all desk heads and directors. To support the integration of the new Americas' management organisation, and to assist in regional succession planning, an initial career development programme was undertaken during the reporting period involving 70 key desk heads and directors. Building on this, in the subsequent reporting period, the region's senior management team will be offered a financial analysis training programme similar to the programme run for the senior management team in Europe and conducted by staff from the same leading business management college in the United Kingdom who were responsible for the training of the European management team. This will ensure the Company's key managers in its two principal regions will all have received consistent and professional training appropriate for the management positions that they occupy.

The productivity and welfare of employees in a business so dependent on people, such as Tullett Prebon, continued to attract considerable senior management attention throughout the reporting period, and management at all levels undertook active engagement programmes with employees, a process monitored by regional Chief Executive Officers.

To assist with employee engagement, 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, organisational changes, key hires, and financial and regulatory announcements. Information is provided to employees regularly through integrated and complementary 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, reviewed in 2010, continued into 2011 and is further reinforced by a quarterly-produced Company-wide staff e-newsletter which provides for an enhanced communications channel.

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 business line management assisted by the Human Resources department. This is supplemented by an Employee Assistance Programme which provides counselling and advice to staff and their families, and the use of an occupational health specialist if required. The Company's policies on health and safety provide a formal framework and inform line management in the discharge of their responsibilities in this area.

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 2011 the average revenue generated by each broker was £524,000 (2010: £540,000);
- The Company employed 2,550 full time equivalent employees and directors worldwide in 2011 (48% in Europe, 30% in the Americas and 22% in Asia Pacific) compared to 2,461 staff in 2010 (48% in Europe, 30% in North America and 22% in Asia Pacific). Total remuneration for all staff in 2011 was £570m (2010: £555m);
- Claims for compensation for work-related accidents and illnesses remained minimal in 2011 with three claims for Worker's Compensation in the US which resulted in 260 work days' total absence. There was one such claim in Asia Pacific in December but no such claims in the UK. In 2010 there were only two claims in the US with none in the UK or Asia Pacific;
- In 2011 there was a further reduction in absence due to short term employee sickness in the UK, in terms of both total days taken and average time off work. In the UK the Company lost 1,452 sick days (2010: 1,679 sick days) and the average time off work due to short term sickness was 1.41 days per employee (2010: 1.70 days). In Asia Pacific 1,213 days were lost due to short term sickness (2010: 1,175 days), an average of 1.60 days per employee (2010: 2.13 days). The US does 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 0.45 workdays per employee compared to 1.77 days per employee in 2010; and
- 2011 saw no minor reported staff accidents in the UK, compared to 2 in 2010. Again, no visitors suffered injury on Company premises during 2011.

As the Company is highly dependent on its employees, retention of key personnel remains one of management's core tasks. 2011 has continued to present challenges in this regard, but management believes 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 continues to monitor 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.

Accordingly, the Company records by region percentages of staff that have five and 10 years' or more service. In the US 58.9% (2010: 55.4%) of employees have five plus years' service, and 39.4% (2010: 38.6%) have 10 plus years' service. In the UK the percentages are 54.3% (2010: 55.9%) and 32.2% (2010: 32.9%), and in Asia Pacific the percentages are 34.8% (2010: 41.0%) and 13.1% (2010: 15.8%) respectively.

	US		UK		Asia Pacific	
	2011	2010	2011	2010	2011	2010
5 years' + service	**58.9%**	55.4%	**54.3%**	55.9%	**34.8%**	41.0%
10 years' + service	**39.4%**	38.6%	**32.2%**	32.9%	**13.1%**	15.8%

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 Company recognises the importance of redressing some of the associated negative effects of the relatively physically inactive desk-based business on its employees. To this end the Company continued to offer its workforce a range of exercise and general sporting activities. In addition to the personal benefits that accrue to the individual, the business benefits of this policy 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 broad physical fitness programme, especially as the demand for this continues to come from employees themselves.

Throughout the reporting period the Company provided British Military Fitness circuit training for staff in London and, as in each year since its implementation in 2009, classes remained at full capacity. Again in response to staff demand, in 2011 the Company initiated a programme of recreational and competitive bike rides over spring and summer weekends which were open to employees, their families and clients, and these rides provided for all ages and abilities. In addition to circuit training and bike events the Company continued to support participation in a range of externally-organised sporting activities including the Bloomberg Square Mile Relay, Vertical Rush (racing up the stairwell in one of the City's tallest buildings), and the JPMorgan Chase Corporate Challenge (in London, New York and Singapore) which have become annual fixtures in the Company's sporting calendar. In addition, throughout 2011, the Company continued the scheme, first introduced in 2009, to provide team clothing to staff taking part in other team and sporting activities.

The continued enthusiasm for the UK government's Cycle to Work scheme further evidences the interest in sport and general fitness across the UK workforce. A further 70 staff purchased cycles under this scheme in the reporting period, on top of the 226 who had previously taken advantage of this scheme in 2009 and 2010.

Across Tullett Prebon some 340 staff were actively engaged in Company assisted sporting and fitness activities in 2011, and management hopes that the Company's support in this area will continue to improve staff welfare and general health, and thereby contribute to an improved work/life balance, and in turn contribute to the success of the Company.

The pastoral care programme has also provided support to employees in the UK with access to childcare provision and in charitable giving, by the Company running schemes under the UK government's salary sacrifice programme. In 2011, an increase was seen in the number of employees (67) opting for Company Childcare Vouchers (compared with 37 in 2010). Following internal promotion of the Give as You Earn scheme donations by staff saw an increase of almost four-fold in 2011 with total donations to charity increasing from £1,959 to £7,383. The Company believes that there remains unrealised support for this scheme and it intends to allocate further resources to its promotion in the subsequent reporting period.

Community investment

Tullett Prebon's approach to community investment is informed by the Company's limited impact on the communities in which it operates and by the resources and expertise at its disposal. There are several strands to the Company's community investment programme:

- The Company's direct engagement in the public policy response to the financial crisis has sought to make a balanced and factual contribution to a process hitherto often ill informed and not unconstrained by political dogma;

- Engagement with the local community in London where the Company is headquartered and where it has its biggest concentration of personnel and therefore where it has its biggest impact on a local community, has been to become actively involved with the Corporation of London which provides the local authority services for London's financial district, and which has an extensive community and charitable programme, by fully supporting the City's unique business electoral franchise;

- The Corporation of London has in addition an effective public policy programme in connection with its husbandry of London's financial services industry and the Company continues to support the Corporation's efforts in this regard, in particular in coordination with its professional body the Wholesale Markets Brokers Association ('WMBA');

- In place of any formal regular survey of staff opinion the Company's senior management team led by the Chief Executive Officer has an active programme of engagement with employees, and for example the Chief Executive Officer, together with his senior managers, participates in many of the staff-led sports and exercise opportunities provided by the Company – this it is felt provides for very direct and qualitative opinion sharing which is all the more effective because of the nature of honest debate found in a company where people are not slow in coming forward with their views; and

- Continued support for the wider UK economy is evidenced by the Company's involvement with the British Marine Industry and specifically by the support it provides to the British Marine Federation's ('BMF') annual London Boat Show. The show at ExCel in Docklands, an area of London where Tullett Prebon's clients and associated business are heavily concentrated, allows the Company to assist the BMF in showcasing a successful and largely manufacturing sector of the UK economy responsible for employing 33,000 people and exporting goods and services in 2011 in excess of £1 billion. The support the Company provides to this large national event enables Tullett Prebon to support British industry as part of a wider public policy agenda and at the same time to build on client and staff engagement and support an industry important to the wider UK economy outside the narrow confines of financial services. All clients and employees with their families are invited to attend the event, which has further merit in the context of the Company's staff sport and fitness programme as the Boat Show is co-located with the Outdoors Show and the London Bike Show. 2011 was the third year the Company has supported the Boat Show as part of a four-year commitment.

Social and community issues

Service in the Volunteer Reserve Forces

The Company recognises that members of the Volunteer Reserve Forces in 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.

In line with its commitment to support members of the Volunteer Reserve Forces, which forms part of the terms of employment in the Staff Handbook, and its membership of the UK Ministry of Defence's employers organisation SaBRE which seeks to foster a good relationship between employers, employees and the Armed Forces, the Company supported the return to work of one of its employees who had been mobilised for service with a front line infantry regiment in a combat role in Afghanistan. In particular the Company's Chief Executive Officer hosted a reception for him, which was attended by some 100 of his colleagues, to welcome him back to work. This reception presented a set-piece opportunity for the individual to present to his colleagues on his tour of duty and for his colleagues to learn about his experiences in the British Army at first-hand.

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 six years since HMRC started to publish the names of those companies achieving this important status.

The Board continues 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 2011 of £290m (2010: £267m, and 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 2011:

- 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 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 geographies in which it operates. Focusing the Company's representation in the key trade bodies in one member of the Company's Executive Committee has continued to ensure coordinated, focused 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 in particular dialogue was opened with all mainstream political parties in the UK regarding policy development around economic and financial services issues; 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 the public policy arena, was again active, publishing papers addressing the principal economic themes of 2011. The two research products developed in 2010 continued to be published during the reporting period: Strategy Insights, larger and in-depth papers of which three were published in 2011; and Strategy Notes, shorter than Strategy Insights and quicker to write, and designed to respond to 'issues of the moment', of which 10 were published in the reporting period. Two additional products were developed in 2011: Occasional Papers, of which one was published during 2011; and the UK Economic and Fiscal Database. Considerable traction was achieved with these products and the Company's visibility in serious political commentary continued to increase 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 be in force and this minimises business travel in favour of video and telephone conferencing.

The Group-wide environmental policy, developed with the assistance of specialist external consultants in 2010, was updated in 2011 to reflect new organisational structures, as was the environmental policy specifically for the UK. The Company's procurement policy continues to contain a strong statement in support of the environmental policy and makes clear that the Company's '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. In respect of the Climate Change Act 2008, as in 2010, during the reporting period the Company undertook preparations to meet the expected new reporting requirements by continuing the necessary monitoring of its GHG emissions. With the reporting obligations of these two new pieces of legislation in mind, the Company completed a third carbon footprint and GHG audit in its key geographies in 2011. This will allow it to compare its emissions with its benchmark year of 2008, and, in respect of the Climate Change Act 2008, to comply with the new reporting requirements expected to come into force in 2012.

Over the last three reporting periods the Company's environmental management system ('EMS') has been successful in achieving overall savings in energy use at the Company's two largest properties in the UK. However, energy consumption across the London estate increased by 0.1% during 2011 (equivalent to £688) reflecting the increased evening and weekend working which had become necessary to support improvements to the Company's IT and BCM infrastructure, and also in the development and deployment of the new Electronic Broking platforms required by the Company's clients in anticipation of new regulatory requirements in Europe and the US. Overall, the savings in annual energy consumption between 2009 and 2011 remain at over £59,000.

For the first time the Company is able to report on recycling for paper and Waste Electronic Electrical Equipment ('WEEE'). During the reporting period the Company, with the assistance of a specialist contractor, recycled 66,840kg of paper which is an estimated saving of 53,323kg of CO_2 emissions. Also, during this period 4,887kg of WEEE was recycled, a 36.8% increase from the Company's 2010 WEEE recycling figure. It is intended to use both these recycling figures as reference data for future reporting.

Contractual or other arrangements essential to the business of the Group

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

The successful generation of revenue relies on the Group's ability to hire and retain highly qualified employees. Employment costs made up 78% of the Group's administration expenses in 2011. The Company seeks to put in place contractual arrangements with its personnel, including in certain circumstances fixed term contracts, non-compete arrangements and performance-related compensation which is 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 is reliant upon a number of financial institutions for the clearing and settlement of its transactions, most notably 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 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 23.

Terry Smith
Chief Executive
6 March 2012

Governance

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Board of Directors

KEITH HAMILL (59)

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 Chairman of Travelodge and a Non-executive Director of easyJet plc and Samsonite International SA. 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 MNZM (58)

Chief Executive

Terry Smith started his career with Barclays Bank and became a stockbroker in 1984 with W Greenwell & Co. He was the 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, and then Chief Executive in 2000. When Collins Stewart and Tullett Prebon demerged in December 2006 he became Chief Executive of Tullett Prebon plc. At the same time he also became Executive Chairman of Collins Stewart, a position he held until 2009 when he became Deputy Chairman, finally resigning from the Board in October 2010. 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. In November 2010 Terry Smith launched Fundsmith, a fund management company, of which he is Chief Executive and Chief Investment Officer. In the New Zealand 2012 New Year's Honours list Terry Smith was appointed a Member of the New Zealand Order of Merit for services to New Zealand-United Kingdom relations.

PAUL MAINWARING (48)

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.

ANGELA KNIGHT (61)

Senior Independent Non-executive Director

Angela Knight was appointed as a Non-executive Director of Tullett Prebon plc in September 2011. She is a member of the Audit, Remuneration and Nominations Committees. Angela Knight is the Chief Executive of the British Bankers' Association and was previously Chief Executive of the Association of Private Client Investment Managers and Stockbrokers from 1997 to 2006. She was formerly the Member of Parliament for Erewash from 1992 to 1997, serving as a Treasury Minister from 1995 to 1997. She is also a Non-executive director of Brewin Dolphin Holdings plc and the Financial Skills Partnership. Her previous Non-executive director appointments include Lloyds TSB plc, Scottish Widows and LogicaCMG plc.

DAVID CLARK (64)

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 Chairman of the Audit Committee and a member of the Remuneration and Nominations Committees.

MICHAEL FALLON MP (59)

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 to 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.

RUPERT ROBSON (51)

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 a Non-executive Director of OJSC Nomos-Bank.

STEPHEN PULL (55)

Independent Non-executive Director

Stephen Pull was appointed as a Non-executive Director of Tullett Prebon plc in September 2011. He is a member of the Audit, Remuneration and Nominations Committees. Stephen Pull was Chairman of Corporate Broking at Nomura between 2008 and 2011 following their acquisition of Lehman Brothers Europe for whom Stephen worked since 2002 as Head of Corporate Broking, and then as Chairman of Corporate Broking. He has also held a number of other senior roles in the City, including Managing Director of Corporate Broking at Merrill Lynch and Head of UK Equity Sales at Barclays de Zoete Wedd.

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 2011.

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 39 to the consolidated financial statements.

Results and dividends
The results for the year are set out in the Consolidated Income Statement on page 46.

The Directors recommend a final dividend for the year of 11.25p per ordinary share. The final dividend, if approved, will be paid on 17 May 2012 to ordinary shareholders whose names are on the register at close of business on 27 April 2012.

Tullett Prebon plc paid a final dividend for 2010 of 10.5p per ordinary share and an interim dividend for 2011 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 25. 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, 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 30 to 35 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
(Independent Non-executive Director)
(Senior Independent Director until February 2012)

Michael Fallon
(Independent Non-executive Director)

Richard Kilsby
(Independent Non-executive Director)

Angela Knight
(Independent Non-executive Director – appointed 1 September 2011)
(Senior Independent Director from February 2012)

Stephen Pull
(Independent Non-executive Director – appointed 1 September 2011)

Rupert Robson
(Independent Non-executive Director)

Biographical details of the Directors are set out on page 27.

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:

	2011 Number	2010 Number
Keith Hamill	**80,299**	80,299
Terry Smith	**9,645,510**	9,645,510
Paul Mainwaring	**221,339**	221,339
David Clark	**–**	–
Michael Fallon	**2,000**	2,000
Richard Kilsby	**–**	–
Angela Knight	**–**	–
Stephen Pull	**–**	–
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 Benefit Trust 2007 held 202,029 shares (2010: 200,833). The beneficiaries of the trust 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. The Tullett Prebon plc Employee Share Ownership Trust sold the 1,196 shares it held at 31 December 2010 during the year at market value to the Tullett Prebon plc Employee Benefit Trust 2007.

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 issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in Note 28 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 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 30 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, the Companies Act 2006 and related legislation.

The Articles may be amended by special resolution of the shareholders. This year shareholders will be asked to approve an amendment to the Articles that will require directors to seek annual re-election.

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 2012, 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 30 to 35.

Substantial interests

As at the end of the period under review, and as at 5 March 2012, 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 in accordance with DTR 5 that they were interested in the following voting rights of the issued ordinary share capital of the Company:

	%	
	31 Dec 2011	**5 March 2012**
Lloyds Banking Group plc	13.02	13.02
Jupiter Asset Management Limited	5.09	5.09
Henderson Global Investors	5.04	6.78
Legal & General Group Plc	3.94	3.94
OppenheimerFunds, Inc; Barings Asset Management Limited	3.01	3.01

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 10 May 2012. 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 2011 no political donations were made by the Group (2010: £nil). No charitable donations were made during 2011 (2010: £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
6 March 2012

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 in the UK Corporate Governance Code (the 'Code').

Throughout the year ended 31 December 2011 the Board believes it has complied with the principles and provisions recommended by the Code except as regards the re-election of Directors. The manner in which the Company has applied the principles of good governance set out in the Code is outlined below. The UK Corporate Governance Code is publicly available at www.frc.org.uk.

DIRECTORS

Composition of the Board

The Board currently comprises two Executive Directors, five independent Non-executive Directors and a Non-executive Chairman. Angela Knight and Stephen Pull were appointed as Directors with effect from 1 September 2011. David Clark will be retiring from the Board when the process to recruit a further non-executive director with the expertise to chair the Audit Committee has been completed. As planned, Angela Knight took over as Senior Independent Non-executive Director with effect from February 2012. The Directors' biographies are shown on page 27 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. Five of the Directors (and four of the Non-executive Directors) have extensive previous experience at a senior level in the financial services sector and two of the Directors are chartered accountants (one was an audit partner in a major firm of accountants), one of the Non-executive Directors was a Senior Adviser to the Financial Services Authority ('FSA'), and both the Chairman and the Finance Director were previously Finance Directors of a number of other companies. The average length of service of the Non-executive Directors excluding the Chairman is four years and six months.

The Chairman, Keith Hamill was, at appointment, independent of the Company and the management, but, as Chairman, is not classified as independent under the Code. His other significant commitments are noted in his biography on page 27.

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.

The terms of the Directors' service agreements and letters of appointment are summarised in the Report on Directors' Remuneration set out on pages 36 to 42. 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, and at the AGM from fifteen minutes prior to the meeting until its conclusion.

Independence of Directors

The Board has determined that all five of the Non-executive Directors are independent.

The Senior Independent Non-executive Director 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 an induction to the Company 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, 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 (the 'Articles') 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 2011 and March 2012, the Chairman formally met 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 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 all Directors are subject to election by shareholders at the first AGM after their appointment. Thereafter, any director for whom it is the third AGM following that at which he or she was elected is required to retire at the AGM but is entitled to seek re-election. The Code recommends that all directors of FTSE 350 companies should be subject to annual re-election. At the AGM held in 2011 the Company followed the procedures for director re-election specified in its Articles. In order to comply with the Code, at the AGM in 2012 those Directors who are not required under the Articles to seek re-election will do so voluntarily, and the Company will seek approval to amend its Articles to require all Directors to seek annual re-election.

Angela Knight and Stephen Pull are subject to election by shareholders at the AGM in May 2012 as they were appointed since the last AGM. Angela Knight has extensive experience in industry; as chief executive of the British Bankers' Association and as a non-executive director of major financial services companies. Stephen Pull has extensive experience in the financial services industry. The Board considers that both bring great value and recommends their election.

Keith Hamill and Terry Smith retire in accordance with the Articles and will seek re-election at the AGM.

In order to comply with the Code, Paul Mainwaring, David Clark, Michael Fallon and Rupert Robson are voluntarily offering themselves for re-election.

The Board is satisfied that, following formal performance evaluation, the performance of each of the Directors offering themselves for re-election continues to be effective, and that each demonstrates commitment to the role.

Biographies of all Directors are set out on page 27.

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.

Corporate Governance Report
continued

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	3/4	2/2
Michael Fallon	8/8	4/4	4/4	2/2
Richard Kilsby	8/8	4/4	4/4	2/2
Angela Knight**	3/3	–	–	–
Stephen Pull**	3/3	–	–	–
Rupert Robson	8/8	4/4	4/4	2/2

* Excludes meetings of committees of the Board appointed to complete routine business or business previously approved by the Board.
** Appointed to the Board on 1 September 2011.

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

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

AUDIT COMMITTEE

Composition
The Audit Committee was chaired by Richard Kilsby, who has recent and relevant financial experience, until July 2011, and from that date has been chaired by David Clark who is fulfilling the role while a successor to Richard Kilsby is recruited. David Clark has recent and relevant financial experience, and has been a Senior Adviser to the FSA. Richard Kilsby continued to serve as a member until he retired from the Board on 31 December 2011. The other members of the Committee during the year were Michael Fallon and Rupert Robson. Angela Knight and Stephen Pull were appointed members of the Committee in December 2011. All members of the Committee are independent Non-executive Directors.

The Nominations Committee has instructed search consultants to assist in the selection of an additional Board member with recent and relevant financial experience who will take over the role of Chairman of the Committee.

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 the Executive Directors being present, to ensure that there are no unresolved issues of concern.

Terms of Reference
Throughout 2011 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 Terms of Reference of the Audit Committee are available on the Company's website.

Work of the Audit Committee during 2011

The Audit Committee reviewed the cost effectiveness, objectivity and independence of the external auditor. The Audit Committee considered the professional and regulatory guidance on auditor independence and was satisfied with the auditor's representations. The Audit Committee reviewed the level of fees paid to the auditor in respect of the various services provided by them in addition to the audit during 2011. 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 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 reviewed the integrity of the financial statements included in 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 considered the continuing appropriateness of the accounting policies, key accounting judgements, and the adequacy and appropriateness of disclosures.

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

The Audit Committee reviewed the work and reports of Internal Audit and monitored progress against the internal audit plan for 2011. The Audit Committee reviewed and approved the internal audit plan for 2012.

The Audit Committee reviewed and approved the Risk Assessment Framework maintained by the Group Risk Control function.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Rupert Robson. The other members of the Committee throughout the year were David Clark, Michael Fallon and Richard Kilsby. Angela Knight and Stephen Pull became members of the Committee in December 2011. All members of the Committee 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 the Remuneration Committee by invitation. The Chairman and the Executive Directors are not permitted to be in attendance when any matter relating to their own remuneration is being discussed.

During 2011 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 36 to 42.

The Terms of Reference of the Remuneration Committee are available on the Company's website.

Corporate Governance Report
continued

NOMINATIONS COMMITTEE

The Nominations Committee is chaired by Keith Hamill. The other members throughout the year were David Clark, Michael Fallon, Richard Kilsby and Rupert Robson. Angela Knight and Stephen Pull became members of the Committee in December 2011. All members of the Committee 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.

During 2011 the Nominations Committee, as part of its succession planning and to reinforce the Board, specified the qualities it sought for two additional non-executive directors to join the Board. Appropriate candidates who met those specifications were identified and the Nominations Committee was able to recommend the new appointments to the Board.

In the search to recruit a non-executive director who will chair the Audit Committee, the Nominations Committee has prepared a specification setting out the skills, knowledge and experience required, and has instructed search consultants to identify suitable candidates.

In considering the appointment of new non-executive directors the Nominations 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 are 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, policies and procedures, and 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. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against misstatement or loss. 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. The Audit Committee conducted a formal review of the effectiveness of the Group's internal control systems for 2011, 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 43 and the independent auditor's report regarding their reporting responsibility is on page 45.

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 19. 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 23 to 27.

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 financial statements 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 2011. 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 UK Corporate Governance Code, and will be put to shareholders for approval at the AGM on 10 May 2012.

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. Except where indicated, all sections of this report 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;

'Broker' means front office revenue generators; and

'Control Functions' means those employees engaged in functions such as Compliance, Legal, HR, Finance, Operations and Risk Control.

REMUNERATION COMMITTEE

Composition and Responsibility

The Remuneration Committee is chaired by Rupert Robson. The other members of the Committee throughout the year were David Clark, Michael Fallon and Richard Kilsby. Angela Knight and Stephen Pull became members of the Committee in December 2011. All members of the Committee are independent Non-executive Directors.

The Remuneration Committee is responsible on behalf of the Board for developing and maintaining formal and transparent policies on remuneration for the Company's employees, the framework in which that policy is applied, and its cost. In addition the Committee will periodically review remuneration policies to ensure that they continue to be compliant with the relevant corporate governance and regulatory requirements, including the FSA Remuneration Code.

Amongst its other duties, 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.

Work of the Remuneration Committee during 2011

Activity during the year included the benchmarking of the fixed remuneration of the two Executive Directors; the review and determination of the remuneration of the Chairman and of the Executive Directors; the review and approval of the remuneration of Senior Management; the making of awards under the LTIP scheme; and the determination of the performance conditions attached to those awards.

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.

The FSA's remuneration code (the 'Remuneration Code') came into effect on 1 January 2011, bringing the Company within its scope for the first time. The Company is a Tier Four firm for the purpose of the application of proportionality under the Remuneration Code. The Remuneration Committee was satisfied that the Company's remuneration policies, processes and governance were in compliance with principles 1 to 11 of the Remuneration Code at the end of 2010 as required. The Company was able to utilise a transitional provision allowing it until 1 July 2011 to be fully compliant with those aspects of Principle 12 of the Remuneration Code that apply to the Company as a Tier Four firm.

The Remuneration Committee reviewed the Company's Remuneration Policy Statement including details of the Company's policies and procedures with respect to compliance with Principle 12 of the Remuneration Code in June 2011, and concluded that the Company was in full compliance with the Remuneration Code at that date.

The Remuneration Policy Statement, including the list of Code Staff, was reviewed again in December 2011, and the disclosures required to be made under the Remuneration Code were approved. These disclosures were first made available on the Company's website in December 2011 and will be updated annually following publication of the Annual Report.

Professional advice
During 2011 and subsequently the Remuneration Committee received advice from PricewaterhouseCoopers executive compensation consultants ('PwC') on regulatory developments affecting remuneration, and on aspects of the remuneration of the Executive Directors. PwC were appointed by the Remuneration Committee.

During 2011 and subsequently PricewaterhouseCoopers LLP have also provided outsourced internal audit services, tax advice, and other associated services.

REMUNERATION POLICIES

Background
In reviewing and approving the general principles of the Company's remuneration policies, the Remuneration Committee takes into account the Company's objective to maximise returns to shareholders over the medium to long term, at an acceptable level of risk. The Remuneration Committee also considers the Company's strategy to achieve that objective by building a business which operates 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 Remuneration Committee takes into account general practices in the parts of the financial services sector in which the Company operates, and the fact that the majority of the Company's competitors are not UK listed companies. These practices are characterised by high levels of variable remuneration. The Remuneration Committee has concluded that it is in the best interests of the Company and shareholders to pay remuneration in line with market practice in the sectors in which the Company operates.

The Company's remuneration policies, which are set out below, 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.

Risk
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 this 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 generally 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 has concluded 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.

The implementation of the remuneration policies set out below is subject to annual independent internal review, as required by the Remuneration Code. The first review is planned to take place in the first half of 2012.

Remuneration policies for Executive Directors and Senior Management

1. Fixed remuneration
Salaries are paid monthly and are set at a level to provide a reasonable level of fixed remuneration which would be appropriate in circumstances where variable remuneration is not paid due to weak performance. Salaries are reviewed periodically and are only increased if they are found to be significantly out of line with the market.

2. Variable remuneration
A high level of remuneration is variable and is dependent on performance. It is offered to motivate and retain staff and to achieve superior returns for shareholders.

Variable remuneration for an individual, and in aggregate for the Executive Director and Senior Management population, is 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 variable remuneration to reflect an adjustment for risk in reviewing financial performance.

While the decision to pay variable remuneration 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 a significant payment. This approach is balanced by the Company's principle that the cost of staff should be sensitive to returns to shareholders, and the Remuneration Committee reviews the remuneration of the Executive Directors and the Senior Management population in the context of the operating profit for the year.

Payment of variable remuneration is discretionary and not contractual, with the level determined on the basis of judgements on performance relative to the trading conditions and other circumstances, and the achievement of objectives.

Variable remuneration is paid to the Executive Director and Senior Management population 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 payments are made.

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

3. Caps on remuneration
The variable remuneration for Executive Directors is effectively capped through the application of a formula that establishes the maximum amount of variable remuneration that will be paid.

The Remuneration Committee does not believe that the formal capping of variable remuneration for Senior Management and Brokers 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 variable remuneration given the policy of paying fixed remuneration of a relatively low proportion of overall remuneration.

4. Deferral and claw-backs
Payments of variable remuneration to the Executive Directors are subject to deferral through the requirement for an element of the payments 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 low risk profile, as discussed above, it is not considered necessary for the variable remuneration paid to Senior Management to be subject to deferral, or to attach claw-back conditions to variable remuneration paid either to Executive Directors or to Senior Management.

5. Long term incentive plans
Long term equity-based incentive plans are utilised where appropriate to motivate the Company's Executive Directors and Senior Management. Recent awards have been structured to reward growth in relative and absolute 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, except in specific individual circumstances, is not consistent with market practice in the Company's key competitor organisations and consequently no further awards will be made routinely to Senior Management under the Long Term Incentive Plan for the foreseeable future.

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

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

Remuneration policies for brokers
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 variable remuneration payments are therefore based on the profits that the Brokers generate for the business. Initial contract payments 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.

Remuneration policies for control functions
The Company's remuneration policy for Control Function employees 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.

DETAILS OF DIRECTORS' REMUNERATION (audited except where stated)

Total emoluments received by directors during the year ended 31 December 2011 were as follows:

	Salaries and fees		Benefits		Variable remuneration: Cash		Variable remuneration: Subject to investment requirement		Total	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Executive Directors										
Terry Smith	**650**	650	**2**	2	**1,690**	1,846	**1,690**	1,846	**4,032**	4,344
Paul Mainwaring	**275**	275	**1**	1	**423**	462	**422**	461	**1,121**	1,199
Non-executive Directors										
Keith Hamill	**158**	150	**–**	–	**–**	–	**–**	–	**158**	150
David Clark	**51**	50	**–**	–	**–**	–	**–**	–	**51**	50
Michael Fallon	**51**	33	**–**	–	**–**	–	**–**	–	**51**	33
Richard Kilsby*	**51**	50	**–**	–	**–**	–	**–**	–	**51**	50
Angela Knight**	**19**	–	**–**	–	**–**	–	**–**	–	**19**	–
Stephen Pull**	**18**	–	**–**	–	**–**	–	**–**	–	**18**	–
Rupert Robson	**51**	50	**–**	–	**–**	–	**–**	–	**51**	50
	1,324	1,258	**3**	3	**2,113**	2,308	**2,112**	2,307	**5,552**	5,876

* Retired 31 December 2011.
** Appointed 1 September 2011.

Executive Directors

The Remuneration Committee took into account the pay and employment conditions of other employees in the Company in determining the Executive Directors' remuneration.

The relative importance of the fixed and variable elements of remuneration for the Executive Directors was 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 2011 the proportion of remuneration that is related to performance for Terry Smith was 89% (2010: 90%) and for Paul Mainwaring was 83% (2010: 84%).

The total remuneration of the Executive Directors was as follows:

1. Fixed remuneration

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

2. Variable remuneration

The Remuneration Committee establishes the total amount of variable remuneration to be paid to the Executive Directors and then allocates it between them taking into consideration their personal contribution and internal relativities. It is the policy of the Remuneration Committee not to pay variable remuneration to a director if it is not satisfied with personal performance.

As set out in the Report on Directors' Remuneration in last year's Annual Report, in order to determine the total variable remuneration for the Executive Directors, the Remuneration Committee applies a formula of 4.0% – 4.5% of the surplus of operating profit over the threshold operating profit which is calculated as the weighted average cost of capital ('WACC') multiplied by capital employed. The determination of the total variable remuneration within the range takes account of additional factors, such as the achievement of the Company's and individuals' objectives and corporate performance relative to market circumstances.

For 2011 the Remuneration Committee determined that the operating profit to be used in the formula should be before the charge for restructuring costs. The amount of variable remuneration available for 2011 for the Executive Directors, using the formula above and a WACC of 11.5%, was determined to be £4.225m (2010 variable remuneration: £4.615m). The allocation of the total variable remuneration to each of the Executive Directors is shown above.

Consistent with the approach taken in recent years, one-half of the 2011 variable remuneration 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.

2011 is the fourth successive year for which the Remuneration Committee has determined that 50% of the variable remuneration 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 variable remuneration awarded for 2009 can now be divested, and the Remuneration Committee has determined that the investment condition for the 50% of the variable remuneration awarded for 2011 will be met by the Executive Directors being required to hold the requisite number of shares purchased with the 2009 payment of variable remuneration for a further period of two years. The interests of the Directors in the Company's shares are set out in the Directors' Report on page 28.

The Remuneration Committee intends to apply the formula set out above to determine the total amount of variable remuneration for the Executive Directors for 2012.

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. The Remuneration Committee will record and explain any such change in the Report on Directors' Remuneration.

Report on Directors' Remuneration
continued

3. Long-term incentives
The outstanding share options awarded to each of the Executive Directors is set out in the table below:

Director	Date of grant	Shares under option at 1 Jan 2011	Granted during the year	Exercised during the year	Lapsed during the year	Shares under option at 1 Jan 2012	Exercise price	Date from which first exercisable	Date of expiry of option
Terry Smith	22 June 2009	671,441	–	–	369,293	302,148	£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
Terry Smith	18 April 2011	–	446,001	–	–	446,001	£1 in total	18 April 2014	18 April 2021
Paul Mainwaring	22 June 2009	284,071	–	–	156,239	127,832	£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
Paul Mainwaring	18 April 2011	–	111,500	–	–	111,500	£1 in total	18 April 2014	18 April 2021

Performance conditions
The vesting of all awards is subject to the achievement of performance conditions, based on relative or absolute total shareholder return ('TSR'), subject to the achievement of return on capital employed ('ROCE') of not less than 25% in the final year of each performance period ('the ROCE Hurdle').

The determination of the extent of vesting with respect to TSR is made by PwC on behalf of the Remuneration Committee and the determination of ROCE is made by the Board.

The Remuneration Committee considers that the use of relative and absolute TSR meets investors' expectations of outperformance, and the ROCE measure provides an appropriate financial performance hurdle.

2009 Awards
The vesting of the awards made in 2009 was subject to relative TSR over the three years to 31 December 2011, with minimum vesting of 25% of the awards 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 was 50th and with maximum vesting of 100% if the ranking percentile was 25th or better, subject in both cases to achieving the ROCE Hurdle. At the end of the three year period 45% of the awards vested and 55% lapsed.

The Company's actual TSR ranking percentile over that period has been calculated by PwC as 43.3% and, as the Remuneration Committee has determined that the ROCE Hurdle has been met, 45% of the awards made in 2009 have vested (Terry Smith 302,148 shares; Paul Mainwaring 127,832 shares) and are first exercisable from 22 June 2012.

2010 Awards
The vesting of two-thirds of the awards made in 2010 is subject to relative TSR over the three years to 31 December 2012, with minimum vesting of 25% of the awards if the ranking percentile of the Company's TSR over that period relative to the TSR of all other companies comprising the FTSE 250 (excluding investment trusts) at 1 January 2010 is 50th and with maximum vesting of 100% if the ranking percentile is 25th or better.

The vesting of one-third of the awards made in 2010 is subject to absolute TSR over the three years to 31 December 2012, with minimum vesting of 25% of the awards if the Company's annualised TSR over that period is equal to RPI + 4.5% and with maximum vesting of 100% if annualised TSR is equal to RPI + 9.5% or above.

2011 Awards
The value of the share options granted during the period to Terry Smith was £1,846,000 (2010: £1,950,000) and to Paul Mainwaring was £461,500 (2010: £500,000).

The vesting of half of the awards made in 2011 is subject to relative TSR over the three years to 31 December 2013, with minimum vesting of 25% of the awards if the ranking percentile of the Company's TSR over that period relative to the TSR of all other companies comprising the FTSE 250 (excluding investment trusts) at 1 January 2011 is 50th and with maximum vesting of 100% if the ranking percentile is 25th or better.

The vesting of half of the awards made in 2011 is subject to absolute TSR over the three years to 31 December 2013, with minimum vesting of 25% of the awards if the Company's annualised TSR over that period is equal to RPI + 4.5% and with maximum vesting of 100% if annualised TSR is equal to RPI + 9.5% or above.

Share price during the year
The lowest closing price of Tullett Prebon plc ordinary shares during the year to 31 December 2011 was 266.3p and the highest closing price was 428.6p. At 31 December 2011 the closing share price was 270p.

4. Benefits
No pension contributions were made in respect of Terry Smith during 2011 (2010: £nil). Paul Mainwaring received pension contributions during 2011 of £6,336 (2010: £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 £2,370 and £878 respectively during 2011.

5. Outside directorships (unaudited)
Neither Terry Smith nor Paul Mainwaring has any outside directorships.

6. Service contracts (unaudited)
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 variable remuneration. The contracts provide for retirement at the age of 65 in all cases.

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

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

Non-executive Directors

1. Fees
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 September 2011 the Non-executive Directors would receive fees of £54,000 per annum (from £50,000) with the exception of Angela Knight who receives a fee of £58,000 per annum in recognition of her position as the Senior Independent Director, and the Chairman whose fee was increased to £175,000 per annum (from £150,000). The 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.

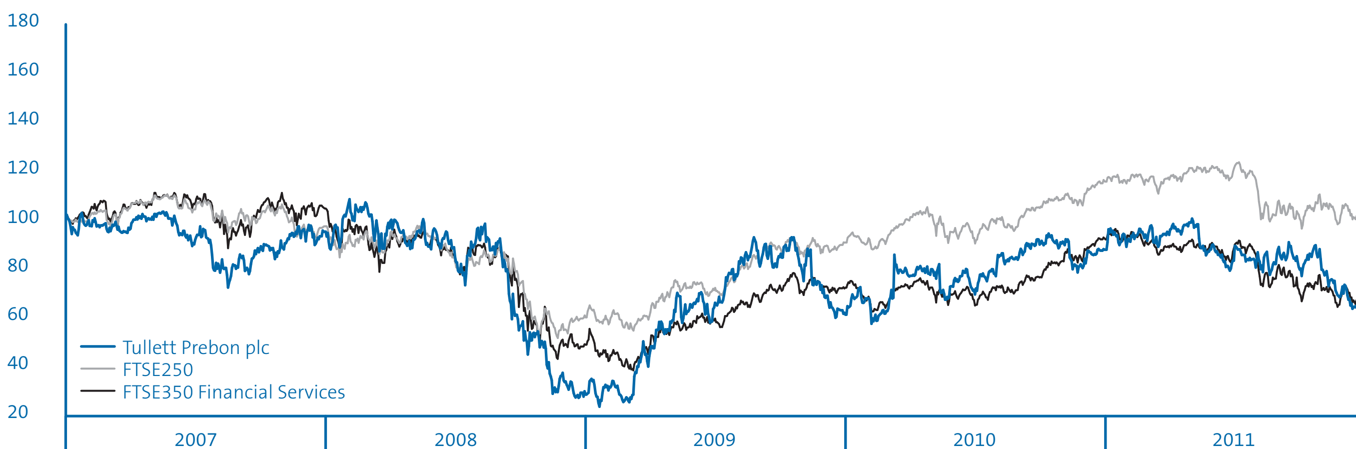
2. Appointment Letters (unaudited)
The Non-executive Directors serve under letters of appointment subject to 12 months' notice, as set out below:

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
Angela Knight	1 September 2011
Stephen Pull	1 September 2011
Rupert Robson	4 January 2007

Report on Directors' Remuneration
continued

Total shareholder returns

A graph depicting the Company's total shareholder return in comparison to other companies in the FTSE 250 index and the FTSE 350 Financial Services index in the five years to 31 December 2011 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
6 March 2012

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 adequate accounting records that are sufficient to show and explain the Company's transactions and 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 corporate and financial information included on the Company's 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
6 March 2012

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 2011 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 40. 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. In addition, we read all the financial and non–financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 Corporate Governance Report, in relation to going concern;
- the part of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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 2011 and on the information in the Report on Directors' Remuneration that is described as having been audited.

Manbhinder Rana F.C.A. (Senior Statutory Auditor)
for and on behalf of

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
6 March 2012

Consolidated Income Statement

for the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Revenue	4	**910.2**	908.5
Administrative expenses		**(803.5)**	(764.4)
Other operating income	5	**23.6**	8.3
Operating profit		**130.3**	152.4
Finance income	8	**12.8**	11.3
Finance costs	9	**(25.1)**	(22.4)
Other gains and losses	10	**1.2**	–
Profit before tax		**119.2**	141.3
Taxation	11	**(30.3)**	(33.7)
Profit of consolidated companies		**88.9**	107.6
Share of results of associates		**1.2**	1.5
Profit for the year	6	**90.1**	109.1
Attributable to:			
Equity holders of the parent		**89.4**	108.5
Minority interests		**0.7**	0.6
		90.1	109.1
Earnings per share			
Basic	12	**41.3p**	50.5p
Diluted	12	**41.1p**	50.3p
Underlying earnings per share is disclosed in Note 12			

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Profit for the year		**90.1**	109.1
Other comprehensive income:			
Revaluation of investments		**(0.7)**	0.3
Effect of changes in exchange rates on translation of foreign operations		**0.2**	9.1
Actuarial gains on defined benefit pension schemes	36	**8.2**	14.5
Taxation charge on components of other comprehensive income	11	**(3.2)**	(6.8)
Other comprehensive income for the year		**4.5**	17.1
Total comprehensive income for the year		**94.6**	126.2
Attributable to:			
Equity holders of the parent		**93.8**	125.3
Minority interests		**0.8**	0.9
		94.6	126.2

Consolidated Balance Sheet
as at 31 December 2011

	Notes	2011 £m	2010 £m
Non-current assets			
Goodwill	14	**396.6**	376.5
Other intangible assets	15	**18.3**	12.1
Property, plant and equipment	16	**22.1**	24.3
Interest in associates	17	**3.4**	3.6
Investments	18	**7.4**	4.1
Deferred tax assets	20	**4.9**	13.0
Retirement benefit assets	36	**35.5**	23.6
		488.2	457.2
Current assets			
Trade and other receivables	21	**5,255.9**	4,186.9
Financial assets	19	**30.8**	35.6
Cash and cash equivalents	32(b)	**342.0**	390.1
		5,628.7	4,612.6
Total assets		**6,116.9**	5,069.8
Current liabilities			
Trade and other payables	22	**(5,298.3)**	(4,229.4)
Interest bearing loans and borrowings	23	**(30.1)**	(30.1)
Current tax liabilities		**(36.7)**	(40.3)
Short term provisions	25	**(12.4)**	(0.5)
		(5,377.5)	(4,300.3)
Net current assets		**251.2**	312.3
Non-current liabilities			
Interest bearing loans and borrowings	23	**(235.6)**	(327.8)
Deferred tax liabilities	20	**(14.1)**	(19.5)
Long term provisions	25	**(6.4)**	(3.9)
Other long term payables	26	**(7.8)**	(6.5)
		(263.9)	(357.7)
Total liabilities		**(5,641.4)**	(4,658.0)
Net assets		**475.5**	411.8
Equity			
Share capital	28	**53.8**	53.8
Share premium	29(a)	**9.9**	9.9
Reverse acquisition reserve	29(a)	**(1,182.3)**	(1,182.3)
Other reserves	29(b)	**148.4**	146.7
Retained earnings	29(c)	**1,442.6**	1,380.9
Equity attributable to equity holders of the parent	29(c)	**472.4**	409.0
Minority interests	29(c)	**3.1**	2.8
Total equity		**475.5**	411.8

The consolidated financial statements of Tullett Prebon plc (registered number 5807599) were approved by the Board of directors and authorised for issue on 6 March 2012 and are signed on its behalf by:

Terry Smith
Chief Executive

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

	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 2011	**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**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**89.4**	**89.4**	**0.7**	**90.1**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**–**	**–**	**5.1**	**4.4**	**0.1**	**4.5**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(0.7)**	**–**	**–**	**–**	**94.5**	**93.8**	**0.8**	**94.6**
Equity component of deferred consideration	**–**	**–**	**–**	**2.4**	**–**	**–**	**–**	**–**	**–**	**2.4**	**–**	**2.4**
Dividends paid in the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(33.9)**	**(33.9)**	**(0.7)**	**(34.6)**
Increase in minority equity interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Credit arising on share-based payment awards	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1.4**	**1.4**	**–**	**1.4**
Taxation arising on share-based payment awards	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
Balance at 31 December 2011	**53.8**	**9.9**	**(1,182.3)**	**7.7**	**1.9**	**121.5**	**17.4**	**(0.1)**	**1,442.6**	**472.4**	**3.1**	**475.5**
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

Consolidated Cash Flow Statement

for the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Net cash from operating activities	32(a)	**95.2**	94.7
Investing activities			
Sale/(purchase) of financial assets		**7.8**	(5.2)
Interest received		**2.2**	1.9
Dividends from associates		**1.2**	1.4
(Purchase)/sale of investments		**(3.5)**	1.7
Expenditure on intangible fixed assets		**(9.4)**	(7.5)
Purchase of property, plant and equipment		**(3.0)**	(4.9)
Proceeds on disposal of property, plant and equipment		**–**	0.2
Investment in subsidiaries		**(11.0)**	(2.4)
Net cash used in investment activities		**(15.7)**	(14.8)
Financing activities			
Dividends paid	13	**(33.9)**	(32.7)
Dividends paid to minority interests		**(0.7)**	**(0.3)**
Sale of own shares		**–**	1.7
Repayment of debt		**(210.0)**	(30.3)
Funds received from debt issue		**120.0**	–
Debt issue costs		**(3.4)**	–
Repayment of obligations under finance leases		**(0.2)**	(0.3)
Net cash used in financing activities		**(128.2)**	(61.9)
Net (decrease)/increase in cash and cash equivalents		**(48.7)**	18.0
Cash and cash equivalents at the beginning of the year		**390.1**	366.1
Effect of foreign exchange rate changes		**0.6**	6.0
Cash and cash equivalents at the end of the year	32(b)	**342.0**	390.1

Notes to the Consolidated Financial Statements
for the year ended 31 December 2011

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 96. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 28 to 29 and in the Business Review on pages 05 to 25.

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 35 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. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Other non-controlling interests are initially measured at fair value. 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
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:

- Revised IAS 24 'Related Party Disclosures';
- Amendment to IAS 32 'Financial Instruments: Presentation' regarding the Classification of Rights Issues;
- Improvements to IFRSs (2010);
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'; and
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement'.

At the date of authorisation of these financial statements, the following EU endorsed Standard was in issue but not yet effective. The Group has not applied this Standard in the preparation of these financial statements:

- Amendments to IFRS 7 'Financial Instruments: Disclosures' relating to transfers of financial assets.

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' and subsequent amendments to IFRS 9 and IFRS 7;
- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint Arrangements';
- IFRS 12 'Disclosures of Interests in Other Entities';

2. Basis of preparation continued
- IFRS 13 'Fair Value Measurement';
- IAS 27 'Separate Financial Statements';
- IAS 28 'Investments in Associates and Joint Ventures';
- Amendments to IAS 1 'Presentation of Financial Statements' regarding the presentation of items of other comprehensive income;
- Amendments to IAS 19 'Employee Benefits';
- Amendments to IFRS 7 'Financial Instruments: Disclosures' regarding disclosures relating to offsetting financial assets and financial liabilities;
- Amendments to IAS 32 'Financial Instruments: Presentation' regarding offsetting financial assets and financial liabilities; and
- Amendments to IAS 12 'Income Taxes' relating to deferred tax: recovery of underlying assets.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of financial instruments;
- IFRS 12 will impact the disclosure of interests Tullett Prebon plc has in other entities;
- IFRS 13 will impact the measurement of fair value for certain assets and liabilities as well as the associated disclosures; and
- Amended IAS 19 will impact the measurement of the various components representing movements in the defined benefit pension asset and associated disclosures, but not the Group's total asset. The replacement of expected returns on plan assets and interest cost on plan liabilities with a single net finance income amount based on the discount rate would result in the profit for the period being reduced in the income statement with a corresponding increase in other comprehensive income.

It is not practicable to provide a complete estimate of the effect of these standards until a detailed review has been completed prior to implementation.

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.

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

3. Summary of significant accounting policies continued
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 payments
Payments made to brokers under employment contracts which are in advance of the expected economic benefit due to the Group are accounted for as prepayments and included within trade and other receivables. Payments made in advance are subject to repayment conditions during the contract period and the prepayment is amortised over the shorter of the contract term and the period the payment remains recoverable. Amounts that are irrecoverable, or become irrecoverable, are written off immediately. These prepayments are subject to annual review.

Payments made in arrears are accrued and are included within trade and other payables.

(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.

(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, except where a netting agreement, which is legally enforceable at all times, exists and the asset and liability are either settled net or simultaneously.

(n) Cash and cash equivalents

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

(o) Interest bearing loans and borrowings

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

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

3. Summary of significant accounting policies continued

(p) Client money

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

(q) Provisions

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

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

(r) Foreign currencies

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

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

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

(s) Taxation

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

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

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

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

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

(t) Leases

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

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

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

(u) Retirement benefit costs

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

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

(v) Share-based payments

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

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

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

(w) Equity instruments

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

(x) Treasury shares

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

(y) Accounting estimates and judgements

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

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires estimation of future cash flows expected to arise for the cash-generating unit, the selection of suitable discount rates and the estimation of future growth rates.

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.

Provisions

Provisions are established by the Group based on management's assessment of relevant information and advice available at the time of preparing the financial statements. Outcomes are uncertain and dependent on future events. Where outcomes differ from management's expectations, differences from the amount initially provided will impact profit or loss in the period the outcome is determined.

Contingent consideration payable on acquisitions

Acquisition consideration that is contingent on future events is recorded at its acquisition date fair value, based on management's assessment of achieving the required targets. Subsequent changes in the fair value of contingent consideration are reflected in profit or loss in the period in which the re-measurement occurs.

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

	2011 £m	2010 £m
Revenue:		
Europe	**548.3**	536.1
Americas	**242.5**	259.0
Asia Pacific	**119.4**	113.4
	910.2	908.5
Operating profit:		
Europe	**124.6**	126.7
Americas	**9.1**	24.2
Asia Pacific	**14.7**	9.2
Underlying operating profit	**148.4**	160.1
Charge relating to major legal actions [1]	**(6.6)**	(7.7)
Restructuring costs [2]	**(11.5)**	–
Reported operating profit	**130.3**	152.4
Finance income	**12.8**	11.3
Finance costs	**(25.1)**	(22.4)
Other gains and losses	**1.2**	–
Profit before tax	**119.2**	141.3
Taxation	**(30.3)**	(33.7)
Profit of consolidated companies	**88.9**	107.6
Share of results of associates	**1.2**	1.5
Profit for the year	**90.1**	109.1

[1] The charge relating to major legal actions is the net of amounts included in other income and in administrative expenses.
[2] Restructuring costs are included in administrative expenses.

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

Tullett Prebon plc is domiciled in the UK. Revenue attributable to the UK amounted to £498.8m (2010: £489.3m) and the total revenue from other countries was £411.4m (2010: £419.2m).

Other segmental information

	2011 £m	2010 £m
Capital additions		
Europe – UK	**9.2**	6.9
Europe – Other	**0.1**	0.2
Americas	**2.1**	3.9
Asia Pacific	**1.0**	1.6
	12.4	12.6

	2011 £m	2010 £m
Depreciation and amortisation		
Europe – UK	**4.5**	4.9
Europe – Other	**0.1**	0.1
Americas	**3.0**	3.5
Asia Pacific	**1.2**	0.9
	8.8	9.4

	2011 £m	2010 £m
Share-based compensation		
Europe – UK	**1.4**	(0.9)
Europe – Other	**–**	–
Americas	**–**	–
Asia Pacific	**–**	–
	1.4	(0.9)

	2011 £m	2010 £m
Segment assets		
Europe – UK	**2,909.0**	1,800.5
Europe – Other	**26.8**	33.6
Americas	**3,107.8**	3,155.0
Asia Pacific	**73.3**	80.7
	6,116.9	5,069.8

	2011 £m	2010 £m
Segment liabilities		
Europe – UK	**2,668.4**	1,586.3
Europe – Other	**23.3**	31.6
Americas	**2,902.0**	2,981.5
Asia Pacific	**47.7**	58.6
	5,641.4	4,658.0

Segment assets and liabilities exclude all inter-segment balances.

Analysis by product group

	2011 £m	2010 £m
Revenue		
Treasury Products	**255.7**	248.4
Interest Rate Derivatives	**204.1**	205.0
Fixed Income	**257.0**	249.3
Equities	**48.4**	67.2
Energy	**106.0**	105.8
Information Sales and Risk Management Services	**39.0**	32.8
	910.2	908.5

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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

6. Administrative expenses

Profit for the year has been arrived at after charging:

	2011 £m	2010 £m
Depreciation of property, plant and equipment (Note 16)	**5.5**	6.4
Amortisation of intangible assets (Note 15)	**3.3**	3.0
Staff costs (Note 7)	**626.4**	605.8
(Gain)/loss recognised on available-for-sale unlisted investments (Note 27(g))	**–**	(1.0)
Auditor's remuneration for audit services (see below)	**2.0**	1.9

The analysis of auditor's remuneration is as follows:

	2011 £000	2010 £000
Audit of the Group's annual accounts	**426**	401
Audit of the Company's subsidiaries and associates pursuant to legislation	**1,535**	1,499
Total audit fees	**1,961**	1,900
Audit-related assurance services	**34**	14
Taxation compliance services	**130**	134
Other taxation advisory services	**20**	32
Other assurance services	**7**	–
Corporate finance services	**–**	19
Other services	**20**	10
Total non-audit fees	**211**	209
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:

	2011 No.	2010 No.
Europe	**1,224**	1,170
Americas	**754**	739
Asia Pacific	**572**	552
	2,550	2,461

The aggregate employment costs of staff and directors were:

	2011 £m	2010 £m
Wages, salaries, bonuses and incentive payments	**569.7**	555.2
Social security costs	**49.0**	45.9
Defined contribution pension costs (Note 36(b))	**6.3**	5.6
Share-based compensation expense/(credit)	**1.4**	(0.9)
	626.4	605.8

8. Finance income

	2011 £m	2010 £m
Interest receivable and similar income	**2.3**	1.9
Expected return on pension schemes' assets	**10.5**	9.4
	12.8	11.3

9. Finance costs

	2011 £m	2010 £m
Interest and fees payable on bank facilities	**5.1**	2.6
Interest payable on Eurobonds	**10.5**	10.5
Other interest payable	**0.3**	0.3
Amortisation of debt issue costs	**1.4**	1.2
Total borrowing costs	**17.3**	14.6
Amortisation of discount on deferred consideration	**0.2**	–
Interest cost on pension schemes' liabilities	**7.6**	7.8
	25.1	22.4

10. Other gains and losses

	2011 £m	2010 £m
Fair value gain on the acquisition of controlling interests (Note 31)	**0.3**	–
Credit arising on adjustments to deferred consideration (Note 31)	**0.9**	–
	1.2	–

11. Taxation

	2011 £m	2010 £m
Current tax:		
UK corporation tax	**31.0**	32.3
Double tax relief	**(0.3)**	(0.3)
	30.7	32.0
Overseas tax	**1.2**	(1.4)
Prior year UK corporation tax	**(0.9)**	(2.0)
Prior year overseas tax	**(0.2)**	0.5
	30.8	29.1
Deferred tax: (Note 20)		
Current year	**0.7**	4.7
Prior year	**(1.2)**	(0.1)
	(0.5)	4.6
Tax charge for the year	**30.3**	33.7

11. Taxation continued

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

	2011		2010	
	£m	%	£m	%
Profit before tax:	**119.2**		141.3	
Tax based on the UK corporation tax rate of 26.5% (2010: 28.0%)	**31.6**	**26.5**	39.6	28.0
Tax effect of expenses that are not deductible	**5.9**	**5.0**	5.8	4.0
Less: Tax effect of non-taxable income	**(3.1)**	**(2.5)**	(4.7)	(3.3)
Less: Tax effect of stock options	**0.4**	**0.1**	(0.2)	(0.1)
Effect of non-UK tax rates	**(1.1)**	**(0.9)**	(0.2)	(0.1)
Unrecognised losses	**0.1**	**–**	0.7	0.5
Prior year adjustments	**(2.3)**	**(1.8)**	(1.6)	(1.1)
Tax on capital related items	**–**	**–**	(6.0)	(4.3)
Other	**(1.2)**	**(1.0)**	0.3	0.2
Tax charge and effective tax rate for the year	**30.3**	**25.4**	33.7	23.8

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

	Recognised in other comprehensive income 2011 £m	Recognised in equity 2011 £m	Total 2011 £m	Total 2010 £m
Current tax charge/(credit) relating to:				
Exercise/award of share-based payments	**–**	**–**	**–**	(0.1)
Exchange movement on net investment loans	**0.1**	**–**	**0.1**	(1.0)
	0.1	**–**	**0.1**	(1.1)
Deferred tax charge/(credit) relating to:				
Defined benefit pension schemes	**3.1**	**–**	**3.1**	8.1
Share-based awards	**–**	**0.3**	**0.3**	(0.3)
Other	**–**	**–**	**–**	0.1
	3.1	**0.3**	**3.4**	7.9
Tax charge on items taken directly to other comprehensive income and equity	**3.2**	**0.3**	**3.5**	6.8

12. Earnings per share

	2011	2010
Basic – underlying	**46.1p**	50.1p
Basic	**41.3p**	50.5p
Diluted – underlying	**45.8p**	49.9p
Diluted – basic	**41.1p**	50.3p

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

	2011 No.(m)	2010 No.(m)
Basic weighted average shares	**216.5**	214.9
Contingently issuable shares	**0.9**	0.2
Issuable on exercise of options	**0.3**	0.6
Diluted weighted average shares	**217.7**	215.7

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

	2011 £m	2010 £m
Profit for the year	**90.1**	109.1
Minority interests	**(0.7)**	(0.6)
Earnings	**89.4**	108.5
Net charge relating to major legal actions	**6.6**	7.7
Restructuring costs	**11.5**	–
Other gains and losses	**(1.2)**	–
Tax on above items	**(6.6)**	(2.5)
Tax on capital related items	**–**	(6.0)
Underlying Earnings	**99.7**	107.7

13. Dividends

	2011 £m	2010 £m
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2011 of 5.25p per share	**11.3**	–
Final dividend for the year ended 31 December 2010 of 10.5p per share	**22.6**	–
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
	33.9	32.7

In respect of the current year, the directors propose that the final dividend of 11.25p per share amounting to £24.5m will be paid on 17 May 2012 to all shareholders on the Register of Members on 27 April 2012. 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 Benefit Trust 2007 have waived their rights to dividends.

14. Goodwill

	2011 £m	2010 £m
Cost		
At 1 January	**383.7**	380.7
Recognised on acquisition	**20.3**	1.3
Adjustments relating to deferred consideration	**1.4**	0.3
Effect of movements in exchange rates	**(1.6)**	1.4
At 31 December	**403.8**	383.7
Accumulated amortisation		
At 1 January and 31 December	**(7.2)**	(7.2)
Carrying amount at 31 December	**396.6**	376.5

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

	2011 £m	2010 £m
Europe	**195.1**	193.8
Americas	**182.2**	163.4
Asia Pacific	**19.3**	19.3
	396.6	376.5

14. Goodwill continued
The recoverable amount of each of the CGUs is based on value in use calculations. The key assumptions for the value in use calculations are those regarding expected cash flows arising in future periods, regional growth rates and the discount rates. Future cash flow projections are based on the most recent Board approved financial budgets for 2012 which are used to project cash flows for the next five years. After this period a steady state cash flow is used to derive a terminal value for the CGU. Allocated goodwill has an indefinite life and this is reflected in the calculation of the CGU's terminal value. Estimated average growth rates, based on the regions' constituent country growth rates as published by the World Bank, are used to estimate cash flows after the budgeted period. The growth rates used were 2.16% for Europe, 2.93% for Americas and 3.93% for Asia. Resultant cash flows have been discounted at a pre-tax discount rate of 11.5% (2010: 11.5%).

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.

15. Other intangible assets
Intangible assets arising from software development expenditure:

2011	At 1 January £m	Additions £m	Recognised with acquisitions £m	Amounts written down £m	Charge for the year £m	Effect of exchange movements £m	At 31 December £m
Cost	**23.8**	**9.4**	**0.2**	**(0.1)**	**–**	**(0.1)**	**33.2**
Amortisation	**(11.7)**	**–**	**–**	**0.1**	**(3.3)**	**–**	**(14.9)**
Carrying amount	**12.1**	**9.4**	**0.2**	**–**	**(3.3)**	**(0.1)**	**18.3**

2010							
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	7.5	–	–	(3.0)	0.2	12.1

16. Property, plant and equipment

	Land, buildings, and leasehold improvements £m	Furniture, fixtures, equipment and motor vehicles £m	Total £m
Cost			
At 1 January 2011	**27.9**	**38.0**	**65.9**
Additions	**1.0**	**2.0**	**3.0**
Recognised with acquisitions	**–**	**0.3**	**0.3**
Effect of movements in exchange rates	**–**	**–**	**–**
At 31 December 2011	**28.9**	**40.3**	**69.2**
Accumulated depreciation			
At 1 January 2011	**(12.7)**	**(28.9)**	**(41.6)**
Charge for the year	**(2.1)**	**(3.4)**	**(5.5)**
Effect of movements in exchange rates	**–**	**–**	**–**
At 31 December 2011	**(14.8)**	**(32.3)**	**(47.1)**
Carrying amount			
At 31 December 2011	**14.1**	**8.0**	**22.1**
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

The carrying amount of the Group's property, plant and equipment includes an amount of £0.1m (2010: £0.3m) in respect of assets held under finance leases.

17. Interest in associates

	2011 £m	2010 £m
Carrying amount of investment in associates	**3.4**	3.6
Aggregated amounts relating to associates:		
Total assets	**15.0**	15.0
Total liabilities	**(5.5)**	(5.6)
Net assets	**9.5**	9.4
Revenue	**16.0**	15.2
Profit for the year	**2.9**	2.6

A list of the significant investments in associates, including the name, country of incorporation and proportion of ownership interest is given in Note 39.

18. Investments

	2011 £m	2010 £m
Available-for-sale assets carried at fair value		
– unlisted	**6.0**	2.0
– listed	**1.4**	2.1
	7.4	4.1

The fair values of unlisted available-for-sale assets are based on derived valuations as disclosed in Note 27(g).

Listed investments 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. Fair values are derived from quoted market prices.

19. Financial assets

	2011 £m	2010 £m
Short term government securities	**7.6**	4.5
Term deposits	**23.2**	31.1
	30.8	35.6

Financial assets are liquid funds held on deposit with banks and clearing organisations.

20. Deferred tax

	2011 £m	2010 £m
Deferred tax assets	**4.9**	13.0
Deferred tax liabilities	**(14.1)**	(19.5)
	(9.2)	(6.5)

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

	2011 £m	2010 £m
At 1 January	**(6.5)**	5.6
Credit/(charge) to income for the year	**0.5**	(4.6)
Charge to other comprehensive income for the year	**(3.1)**	(7.9)
Charge to equity in the year	**(0.3)**	–
Effect of movements in exchange rates	**0.2**	0.4
At 31 December	**(9.2)**	(6.5)

Deferred tax balances and movements thereon are analysed as:

	At 1 January 2011 £m	Recognised in profit or loss £m	Recognised in other comprehensive income £m	Recognised in equity £m	Effect of movements in exchange rates £m	At 31 December 2011 £m
Share-based awards	**0.7**	**(0.1)**	**–**	**(0.3)**	**–**	**0.3**
Defined benefit retirement schemes	**(7.3)**	**(1.6)**	**(3.1)**	**–**	**–**	**(12.0)**
Tax losses	**1.3**	**6.7**	**–**	**–**	**0.5**	**8.5**
Other timing differences	**(1.2)**	**(4.5)**	**–**	**–**	**(0.3)**	**(6.0)**
	(6.5)	**0.5**	**(3.1)**	**(0.3)**	**0.2**	**(9.2)**

	At 1 January 2010 £m	Recognised in profit or loss £m	Recognised in other comprehensive income £m	Recognised in equity £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 an unrecognised deferred tax asset from tax losses of £5.5m (2010: £7.2m) available for offset against future profits. A deferred tax asset of £8.5m in respect of tax losses has been recognised in 2011 (2010: £1.3m).

The 31 December 2011 deferred tax liability relating to defined benefit retirement schemes includes a liability of £12.4m (2010: £8.3m) in respect of the surplus on the Group's UK schemes.

No deferred tax has been recognised on temporary differences associated with unremitted 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. As at the balance sheet date, the Group had unrecognised deferred tax liabilities of £0.5m (2010:£0.5m) in respect of withholding tax on unremitted earnings.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

21. Trade and other receivables

	2011 £m	2010 £m
Trade receivables	**76.0**	79.8
Settlement balances	**5,102.1**	4,037.9
Financial assets	**5,178.1**	4,117.7
Other debtors	**8.8**	12.4
Prepayments and accrued income	**63.5**	49.2
Corporation tax	**5.4**	7.0
Owed by associates and related parties	**0.1**	0.6
	5,255.9	4,186.9

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:

	2011 £m	2010 £m
Less than 30 days (not yet due)	**55.0**	59.5
Between 30 and 60 days	**10.9**	11.7
Between 60 and 90 days	**4.2**	4.2
Greater than 90 days	**5.9**	4.4
Total past due	**21.0**	20.3
Trade receivables	**76.0**	79.8

Trade receivables are shown net of a provision of £1.4m (2010: £1.5m) against certain trade receivables due after 90 days.

The table below shows the ageing of settlement balances:

	2011 £m	2010 £m
Amounts not yet due	**4,964.5**	4,008.4
Less than 30 days	**97.8**	20.2
Between 30 and 60 days	**12.5**	9.3
Between 60 and 90 days	**15.8**	–
Greater than 90 days	**11.5**	–
Total past due	**137.6**	29.5
Settlement balances	**5,102.1**	4,037.9

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 22 'Trade and other payables'.

22. Trade and other payables

	2011 £m	2010 £m
Settlement balances	**5,101.7**	4,037.5
Trade payables	**5.5**	6.5
Financial liabilities	**5,107.2**	4,044.0
Tax and social security	**33.0**	30.5
Other creditors	**2.9**	4.1
Accruals and deferred income	**155.2**	150.2
Owed to associates and related parties	**–**	0.6
	5,298.3	4,229.4

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

23. Interest bearing loans and borrowings

2011	Less than one year £m	Greater than one year £m	Total £m
Obligations under finance leases	**0.1**	**–**	**0.1**
Eurobond due 2014	**–**	**8.5**	**8.5**
Eurobond due 2016	**–**	**139.5**	**139.5**
Bank loan	**30.0**	**87.6**	**117.6**
	30.1	**235.6**	**265.7**
2010			
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

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 27.

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 2011, the carrying value of the Eurobond due 2016, together with unamortised transaction costs, amounted to £139.5m and its fair value was £140.8m (2010: £139.7m).

Eurobond: Due 12 August 2014
As at 31 December 2011, £8,470,000 (2010: £8,470,000) 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.

At 31 December 2011, 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 £8.4m (2010: £7.0m).

Bank loan and credit facility
On 8 February 2011, the Group entered into a £235m credit agreement consisting of a £120m amortising term loan facility and a £115m committed revolving credit facility. 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 during the year, will also mature in February 2014. As at 31 December 2011 the carrying value of the loan approximated to the fair value. These facilities replaced a £210m amortising term loan and a £50m committed revolving credit facility.

The average effective interest rate on the bank debt was 3.9% (2010: 1.6%).

23. Interest bearing loans and borrowings continued

Finance leases

The Group leases certain items of property, plant and equipment under finance leases. The average remaining lease term is 1-2 years (2010: 2-3 years). For 2011 the average effective borrowing rate was 7.5% (2010: 7.1%). 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.

24. Derivative financial instruments

As at 31 December 2011 and 2010 the Group held no derivative financial instruments.

25. Provisions

	Property £m	Restructuring £m	Legal and Other £m	Total £m
At 1 January 2011	**3.0**	**–**	**1.4**	**4.4**
Charged to income statement	**0.1**	**7.9**	**6.0**	**14.0**
Recognised on acquisitions	**–**	**–**	**2.7**	**2.7**
Utilisation of provision	**(0.2)**	**(1.6)**	**(0.2)**	**(2.0)**
Effect of movements in exchange rates	**–**	**–**	**(0.3)**	**(0.3)**
At 31 December 2011	**2.9**	**6.3**	**9.6**	**18.8**
At 1 January 2010	3.5	–	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	3.0	–	1.4	4.4

	2011 £m	2010 £m
Included in current liabilities	**12.4**	0.5
Included in non-current liabilities	**6.4**	3.9
	18.8	4.4

Property provisions outstanding as at 31 December 2011 relate to provisions in respect of onerous leases and building dilapidations. The onerous lease provision represents the net present value of the future rental cost net of expected sub-lease income. These leases expire in one to two years. The building dilapidations provision represents the estimated cost of making good dilapidations and disrepair on various leasehold buildings. The leases expire in one to eight years.

Restructuring provisions outstanding as at 31 December 2011 relate to termination and other employee related costs which are expected to be discharged during 2012.

Legal and other provisions include provisions for legal claims brought against subsidiaries of the Group together with provisions against obligations for certain employee related costs and non property related onerous contracts. At present the timing of any payments are uncertain and provisions are subject to regular review. It is expected that the obligations will be discharged over the next three years.

The claim by BGC Market Data and certain of its affiliates, alleging that the Company misappropriated data supplied to its information sales subsidiary in violation of a redistribution agreement, was heard in arbitration under the rules of the American Arbitration Association during August 2011. A provision for the estimated cost of the resolution of this claim has been included in the 2011 results. The amount claimed against the Company is significantly higher than the amount provided. The outcome remains uncertain and is dependent upon the conclusion of the arbitration process.

26. Other long term payables

	2011 £m	2010 £m
Accruals and deferred income	**3.0**	3.6
Deferred consideration	**4.8**	2.9
	7.8	6.5

Deferred consideration as at 31 December 2011 relates to the acquisition of Convenção and is held at the discounted value of estimated future obligations.

27. Financial instruments

The following analysis should be read in conjunction with the information on risk management, capital employed and regulatory capital included in the Business Review on pages 15 to 19 and 14.

(a) Capital 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 23, cash and cash equivalents, financial assets and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 28 and 29.

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 Company's subsidiaries. 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 2011	Available-for-sale assets £m	Loans and receivables £m	Total £m
Investments	**7.4**	**–**	**7.4**
Financial assets	**7.6**	**23.2**	**30.8**
Cash and cash equivalents	**–**	**342.0**	**342.0**
Trade receivables	**–**	**76.0**	**76.0**
Settlement balances	**–**	**5,102.1**	**5,102.1**
	15.0	**5,543.3**	**5,558.3**
2010			
Investments	4.1	–	4.1
Financial assets	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

27. Financial instruments continued

Financial liabilities 2011	Financial liabilities at amortised cost £m	Total £m
Eurobonds	**148.0**	**148.0**
Bank loan	**117.6**	**117.6**
Finance leases	**0.1**	**0.1**
Trade payables	**5.5**	**5.5**
Settlement balances	**5,101.7**	**5,101.7**
	5,372.9	**5,372.9**
2010		
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

(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 financial assets		Trade receivables		Settlement balances	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
AAA to AA+	**28.5**	34.2	**1.5**	1.2	**191.3**	685.3
AA to A-	**338.7**	382.0	**54.2**	63.8	**2,745.5**	2,934.2
BBB+ to BBB-	**4.7**	7.9	**5.1**	3.9	**809.7**	185.9
BB+ to B-	**–**	0.5	**0.7**	0.9	**915.0**	–
Unrated	**0.9**	1.1	**15.9**	11.5	**440.6**	232.5
Total	**372.8**	425.7	**77.4**	81.3	**5,102.1**	4,037.9
Provision for doubtful debts	**–**	–	**(1.4)**	(1.5)	**–**	–
	372.8	425.7	**76.0**	79.8	**5,102.1**	4,037.9

In addition to the above, £1.4m (2010: £1.5m) of investments are rated AAA to AA+ , £1.4m are rated BBB+ (2010: £nil) and £4.6m (2010: £2.6m) 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:

2011	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	**5,101.7**	**–**	**–**	**–**	**5,101.7**
Trade payables	**5.5**	**–**	**–**	**–**	**5.5**
Obligations under finance leases	**0.1**	**–**	**–**	**–**	**0.1**
Eurobonds	**–**	**10.5**	**190.5**	**–**	**201.0**
Bank loan	**31.0**	**3.1**	**92.8**	**–**	**126.9**
	5,138.3	**13.6**	**283.3**	**–**	**5,435.2**
2010					
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

(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:

	2011		2010	
	USD £m	EUR £m	USD £m	EUR £m
Change in profit for the year	**(1.5)**	**(1.4)**	(1.4)	(1.0)

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:

	2011		2010	
Basis points change	+100pts £m	-100pts £m	+100pts £m	-100pts £m
Income/(expense) arising on:				
– floating rate assets	**3.2**	**(2.3)**	3.6	(1.6)
– floating rate liabilities	**(1.3)**	**0.9**	(2.1)	1.3
Net income/(expense) for the year	**1.9**	**(1.4)**	1.5	(0.3)

27. Financial instruments continued

(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).

2011	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Investments				
– unlisted	**–**	**–**	**6.0**	**6.0**
– listed	**1.4**	**–**	**–**	**1.4**
Financial assets				
– short term government securities	**7.6**	**–**	**–**	**7.6**
	9.0	**–**	**6.0**	**15.0**
2010				
Investments				
– unlisted	–	–	2.0	2.0
– listed	2.1	–	–	2.1
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 Investments – Unlisted £m
Balance as at 1 January 2011	**2.0**
Additions	3.5
Acquired on acquisitions	0.5
Balance as at 31 December 2011	**6.0**
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 remeasured at fair value on Level 3 fair value measurement bases.

The £1.0m gain in 2010 included in profit or loss in the period relates to the sale of unlisted available-for-sale assets and was included in 'administrative expenses'. Of the disposal proceeds received in 2010, £1.7m was received in cash with £0.3m deferred.

There were no gains or losses in the period related to the revaluation of unlisted available-for-sale investments held at the balance sheet date. The loss of £0.1m in 2010 was included within the 'Revaluation reserve'.

28. Share capital

	2011 No.	2010 No.
Allotted, issued and fully paid		
Ordinary shares of 25p	**215,313,584**	215,313,584

	2011 £m	2010 £m
Allotted, issued and fully paid		
Ordinary shares of 25p	**53.8**	53.8

Subsequent to the year end 2,298,288 ordinary shares were issued to the former owners of Primex Energy Brokers Limited following the completion of acquisition related performance conditions (Note 29(b)). These shares were issued on 5 January 2012.

29. 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 2011	**53.8**	**9.9**	**(1,182.3)**	**(1,118.6)**
As at 31 December 2010	53.8	9.9	(1,182.3)	(1,118.6)

Reverse acquisition reserve

The acquisition of Collins Stewart Tullett plc by Tullett Prebon plc in 2006 was accounted for as a reverse acquisition. Under IFRS the consolidated accounts of Tullett Prebon plc were prepared as if they were a continuation of the consolidated accounts of Collins Stewart Tullett plc. The reverse acquisition reserve represents the difference between the reserves of the two companies at the time of the acquisition. This resulted in the consolidated net assets before and after the acquisition remaining unchanged.

29. Reconciliation of shareholders' funds continued
(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 2011	**5.3**	**2.6**	**121.5**	**17.4**	**(0.1)**	**146.7**
Revaluation of available-for-sale assets	**–**	**(0.7)**	**–**	**–**	**–**	**(0.7)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**0.1**	**–**	**0.1**
Taxation charge on components of other comprehensive income	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
Total comprehensive income	**–**	**(0.7)**	**–**	**–**	**–**	**(0.7)**
Equity component of deferred consideration	**2.4**	**–**	**–**	**–**	**–**	**2.4**
Sale of own shares	**–**	**–**	**–**	**–**	**–**	**–**
Shares used to meet share award exercises	**–**	**–**	**–**	**–**	**–**	**–**
As at 31 December 2011	**7.7**	**1.9**	**121.5**	**17.4**	**(0.1)**	**148.4**
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

Equity reserve
The reserve of £7.7m (2010: £5.3m) as at 31 December 2011 represents the aggregate fair value of 2,298,288 ordinary shares (2010: 1,420,212 ordinary shares) issuable to the former owners of Primex Energy Brokers Limited following the completion of acquisition related performance conditions. The shares were issued on 5 January 2012.

Revaluation reserve
The revaluation reserve represents the remeasurement of assets in accordance with IFRS that have been recorded in other comprehensive income.

Merger reserve
The merger reserve arose in Collins Stewart Tullett plc prior to the reverse acquisition by Tullett Prebon plc in 2006. The reserve related to prior share based acquisitions and represented the difference between the value of those acquisitions and the amount required to be recorded in share premium. On the acquisition by Tullett Prebon plc, this reserve was retained as the consolidated accounts of Tullett Prebon plc were prepared as if they were a continuation of the consolidated accounts of Collins Stewart Tullett plc.

Hedging and translation
The hedging and translation reserve records revaluation gains and losses arising on net investment hedges and the effect of changes in exchange rates on translation of foreign operations recorded in other comprehensive income.

Own shares
As at 31 December 2011, the Tullett Prebon plc Employee Benefit Trust 2007 held 202,029 ordinary shares (2010: 200,833 ordinary shares).

During the year, the Tullett Prebon plc Employee Share Ownership Trust transferred its holding of 1,196 ordinary shares to the Tullett Prebon plc Employee Benefit Trust 2007 following which the Tullett Prebon plc Employee Share Ownership Trust was wound up.

(c) Total equity

	Equity attributable to equity holders of the parent					
	Total from Note 29(a) £m	Total from Note 29(b) £m	Retained earnings £m	Total £m	Minority interests £m	Total equity £m
As at 1 January 2011	**(1,118.6)**	**146.7**	**1,380.9**	**409.0**	**2.8**	**411.8**
Profit for the year	**–**	**–**	**89.4**	**89.4**	**0.7**	**90.1**
Revaluation of available-for-sale assets	**–**	**(0.7)**	**–**	**(0.7)**	**–**	**(0.7)**
Exchange differences on translation of foreign operations	**–**	**0.1**	**–**	**0.1**	**0.1**	**0.2**
Actuarial gains on defined benefit pension schemes	**–**	**–**	**8.2**	**8.2**	**–**	**8.2**
Taxation charge on components of other comprehensive income	**–**	**(0.1)**	**(3.1)**	**(3.2)**	**–**	**(3.2)**
Total comprehensive income	**–**	**(0.7)**	**94.5**	**93.8**	**0.8**	**94.6**
Equity component of deferred consideration	**–**	**2.4**	**–**	**2.4**	**–**	**2.4**
Dividends paid in the year	**–**	**–**	**(33.9)**	**(33.9)**	**(0.7)**	**(34.6)**
Increase in minority equity interests	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Credit arising on share-based payment awards	**–**	**–**	**1.4**	**1.4**	**–**	**1.4**
Taxation arising on share-based payment awards	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
As at 31 December 2011	**(1,118.6)**	**148.4**	**1,442.6**	**472.4**	**3.1**	**475.5**
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

30. Share-based payments

As at 31 December 2011 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 2011 and their estimated fair values when granted are set out below:

	Awards outstanding 2011	Estimated fair value at grant date
Awards		
Long term incentive award (2009) [(1)]	429,980	199p
Long term incentive award (2010) [(1)]	797,266	169p
Long term incentive award (2011) [(1)]	557,501	246p
Long term incentive award (2011) [(2)]	44,761	309p
	1,829,508	

Notes:
(1) Subject to total shareholder return and return on capital conditions.
(2) Subject to revenue performance conditions.

The following table shows the number of share awards outstanding during 2011 and 2010:

2011	Share options	Shares	Number of Awards
Outstanding at start of the year	**1,752,778**	**–**	**1,752,778**
Granted during the year	**602,262**	**–**	**602,262**
Lapsed during the year	**(525,532)**	**–**	**(525,532)**
Outstanding at end of year	**1,829,508**	**–**	**1,829,508**
Exercisable at end of year	**–**		

2010	Share options	Shares	Number of Awards
Outstanding at start of the year	3,233,221	406,964	3,640,185
Exercised 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	–		

The weighted average exercise price for all awards is £nil (2010: £nil).

No share options were exercised in 2011. The weighted average share price of exercises in 2010 was 353p.

The estimated fair value of each option granted under the long term incentive awards (2009), (2010) and (2011) 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 and 2011 awards are also subject to TSR comparison relative to the UK Retail Price Index.

The estimated fair value of each option granted under the long term incentive award (2011) which are subject to revenue performance conditions, 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 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 2011 are set out below:

	Long term incentive award (1) (2011)	Long term incentive award (2) (2011)	Long term incentive award (1) (2010)	Long term incentive award (1) (2009)
Share price at date of grant (p)	410	354	298	284
Exercise price (p)	nil	nil	nil	nil
Expected volatility	59%	59%	62%	58%
Expected life (years)	3	3	3	3
Risk-free rate	1.5%	1.5%	1.3%	2.2%
Expected dividend yield	3.8%	4.3%	5.0%	4.5%
Expected volatility of comparator group	47%	n/a	52%	49%
Correlation with comparator group	24%	n/a	27%	27%
Retail Price Index	3.0%	n/a	2.5%	n/a
Proportion meeting service criteria	100%	100%	100%	100%

Notes:
(1) Subject to total shareholder return and return on capital conditions.
(2) Subject to revenue performance conditions.

The weighted average contractual life for the share-based awards outstanding as at 31 December 2011 is 8.5 years (2010: 9.2 years).

	2011 £m	2010 £m
Charge/(credit) arising from share-based awards	**1.4**	(0.9)

31. Acquisitions

(a) Subsidiaries acquired during the year

Convenção S/A Corretora de Valores e Câmbio ('Convenção')

On 9 August 2011 the Group acquired 100% of the share capital of Convenção, an inter-dealer broker based in Brazil. The consideration paid on completion was R$20.0m (£7.8m). Further deferred and performance related consideration is payable over the next three years, the acquisition fair value of which was estimated to be R$12.1m (£4.8m) and R$11.6m (£4.5m) respectively. The undiscounted maximum payable for deferred and performance related consideration is R$35.5m (£13.9m). Goodwill arising on the acquisition was R$41.3m (£16.2m) attributable to the expected business synergies within Americas and obtaining a pre-existing, well-respected business in the Latin American market. None of the goodwill is expected to be deductible for tax purposes.

The business combination has been accounted for using the acquisition method.

31. Acquisitions continued

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	£m
Identifiable assets and liabilities acquired:	
Fixed and intangible assets	0.5
Trade and other receivables	2.4
Other financial assets	3.4
Cash and cash equivalents	1.3
Trade and other payables	(1.5)
Taxation	(2.6)
Provisions	(2.6)
Total identifiable assets	0.9
Goodwill	16.2
Total consideration	17.1
Satisfied by:	
Cash consideration	7.8
Fair value of deferred consideration	4.8
Fair value of contingent consideration	4.5
	17.1
Net cash (outflow) arising on acquisition	
Cash consideration	(7.8)
Cash and cash equivalents acquired	1.3
	(6.5)
Goodwill arising on acquisition	16.2
Effect of changes in exchange rates	(1.9)
Included in goodwill as at 31 December 2011	14.3

Costs relating to the acquisition of Convenção have been recognised in administrative expenses as incurred. Costs incurred in 2011 amounted to £0.2m with £1.4m having been expensed in prior periods.

Convenção's revenue in the period since acquisition was £5.4m with earnings of £0.3m. The Group's revenue for the year, had Convenção been acquired on 1 January 2011, would have been £7.7m higher and earnings £0.4m higher.

Other acquisitions during the year

Newedge USA LLC ('Newedge')

On 3 January 2011 one of the Group's US subsidiaries hired a team of brokers which formed Newedge USA LLC's credit products inter-dealer brokering business. As part of that arrangement a cash payment of US$6.5m (£4.1m) was made representing the goodwill associated with that business's activities. No further consideration is payable. The fair value of the identifiable assets and liabilities acquired were negligible, resulting in the recognition of goodwill of US$6.5m (£4.1m), attributable to the highly skilled workforce and the business's reputation. The Newedge business has been fully integrated into the Group's operations, and it is therefore considered impracticable to show the revenue and earnings for the period after the date of acquisition or for the full year as if acquired from the beginning of the year.

Tullett Liberty (Bahrain) Co. W.L.L. ('Tullett Liberty (Bahrain)')

For a number of years the Group has been entitled to 85% of Tullett Liberty (Bahrain)'s trading results, and due to not having control over the financial and operating policies the entity was accounted for as an associate of the Group. Following shareholder agreement the Group obtained control over the financial and operating policies and has accounted for the entity as a subsidiary as of 1 July 2011. The acquisition date fair value of Group's previous interest was £0.4m resulting in a gain of £0.3m being recognised in other gains and losses. The interests of the non-controlling shareholders, measured at their share of the fair value of the identifiable net assets, amounted to £0.2m which is included as an increase to minority equity interests in reserves. No additional consideration was transferred. The fair value of the identifiable assets and liabilities acquired amounted to £0.6m, resulting in no goodwill being recognised in the period. On 3 January 2012 the Group's shareholding was increased to 85% of the issued ordinary voting shares aligning the shareholding with the 85% entitlement to the trading results.

Tullett Liberty (Bahrain) earned revenue of £1.6m and earnings of £0.4m in the period since acquisition. The Group's revenue for the year, had Tullett Liberty (Bahrain) been acquired on 1 January 2011 would have been £1.8m higher with earnings unchanged.

Acquisitions after 31 December 2011

Chapdelaine & Co.

On 3 January 2012, the Group acquired 100% of the membership interests of Chapdelaine & Co., this entity being the owner of Chapdelaine Municipal Brokers Inc. and Chapdelaine & Co. Municipal Securities Inc. The initial consideration paid was US$10.2m (£6.6m) in cash. The initial fair value of the net assets acquired is estimated to be US$2.7m (£1.7m), which would result in the recognition of US$7.5m (£4.9m) to be allocated between goodwill and identifiable intangible assets.

(b) 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 for acquisitions prior to 1 January 2010, and to profit or loss for acquisitions after that date.

	2011 £m	2010 £m
At 1 January	**4.2**	10.3
Acquisitions during the year	**9.3**	1.0
Increase to goodwill during the year	**1.4**	0.3
Unwind of discount	**0.2**	–
Cash paid	**(0.6)**	(2.1)
Equity component transferred to reserves	**(2.4)**	(5.3)
Credit taken to the income statement	**(0.9)**	–
Effect of movements in exchange rates	**(1.2)**	–
At 31 December	**10.0**	4.2
Amounts falling due within one year	**5.2**	1.3
Amounts falling due after one year	**4.8**	2.9
At 31 December	**10.0**	4.2

32. Notes to the Consolidated Cash Flow Statement
(a) Reconciliation of operating profit to net cash from operating activities

	2011 £m	2010 £m
Operating profit	**130.3**	152.4
Adjustments for:		
Share-based compensation	**1.4**	(0.9)
Profit on sale of investments	**–**	(1.0)
Loss on sale of property, plant and equipment	**–**	0.2
Depreciation of property, plant and equipment	**5.5**	6.4
Amortisation of intangible assets	**3.3**	3.0
Increase/(decrease) in provisions for liabilities and charges	**12.0**	(5.4)
Outflow from retirement benefit obligations	**(0.8)**	(8.8)
Decrease in non-current liabilities	**(0.7)**	(1.1)
Operating cash flows before movement in working capital	**151.0**	144.8
Increase in trade and other receivables	**(4.7)**	(15.0)
Decrease in net settlement balances	**–**	0.2
Decrease/(increase) in trade and other payables	**(1.3)**	5.6
Cash generated from operations	**145.0**	135.6
Income taxes paid	**(34.2)**	(27.5)
Interest paid	**(15.6)**	(13.4)
Net cash from operating activities	**95.2**	94.7

(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 2011 cash and cash equivalents amounted to £342.0m (2010: £390.1m). 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 three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

33. Analysis of net funds

2011	At 1 January 2011 £m	Cash flow £m	Acquired with subsidiaries £m	Non cash items £m	Exchange differences £m	At 31 December 2011 £m
Cash	**242.4**	**(2.9)**	**–**	**–**	**0.7**	**240.2**
Cash equivalents	**145.3**	**(45.2)**	**–**	**–**	**(0.1)**	**100.0**
Client settlement money	**2.4**	**(0.6)**	**–**	**–**	**–**	**1.8**
Cash and cash equivalents	**390.1**	**(48.7)**	**–**	**–**	**0.6**	**342.0**
Financial assets	**35.6**	**(7.8)**	**3.4**	**–**	**(0.4)**	**30.8**
Total funds	**425.7**	**(56.5)**	**3.4**	**–**	**0.2**	**372.8**
Bank loans within one year	**(30.0)**	**–**	**–**	**–**	**–**	**(30.0)**
Bank loans after one year	**(180.0)**	**93.4**	**–**	**(1.0)**	**–**	**(87.6)**
Loans due after one year	**(147.6)**	**–**	**–**	**(0.4)**	**–**	**(148.0)**
Finance leases	**(0.3)**	**0.2**	**–**	**–**	**–**	**(0.1)**
	(357.9)	**93.6**	**–**	**(1.4)**	**–**	**(265.7)**
Total net funds	**67.8**	**37.1**	**3.4**	**(1.4)**	**0.2**	**107.1**

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
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

Financial assets comprise short term government securities and term deposits held with banks and clearing organisations.

34. Contingent liabilities

In respect of legal matters or disputes for which a provision has not been made, 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.

35. Operating lease commitments

	2011 £m	2010 £m
Minimum operating lease payments recognised in the income statement	**14.9**	13.1

At 31 December 2011 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011		2010	
	Buildings £m	Other £m	Buildings £m	Other £m
Within one year	**10.7**	**2.0**	11.5	1.3
Within two to five years	**30.1**	**0.6**	30.3	0.4
Over five years	**27.6**	**–**	28.4	–
	68.4	**2.6**	70.2	1.7

36. Retirement benefit obligations

(a) Defined benefit schemes

The Group operates two defined benefit pension 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.

36. Retirement benefit obligations continued

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 2012 is £0.6m. 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:

	2011 %	2010 %
Key assumptions used:		
Discount rate	**4.70**	5.30
Expected return on schemes' assets	**6.77**	6.64
Expected rate of salary increases	**4.55**	4.95
Rate of increase in LPI pensions in payment (1)	**2.40**	3.50
Inflation assumption (2)	**2.40**	3.70

(1) 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%.
(2) In 2011 the basis for the inflation assumption was changed to CPI from RPI.

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 (2010: 28 years) after retirement if they are male and for a further 31 years (2010: 31 years) after retirement if they are female. For the Prebon Yamane (Ex K-W) Pension Scheme the equivalent assumptions are 28 years (2010: 30 years) for males and 31 years (2010: 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 2012 on 31 December 2011 scheme assets %	2011 Assets £m	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
Equities	**7.00**	**170.9**	7.01	151.8	7.40	123.5
Corporate bonds	**4.70**	**9.8**	5.30	10.5	5.70	9.7
Cash and other	**1.00**	**3.2**	0.80	7.2	0.70	4.5
Weighted average return (1)	**6.77**		6.64		7.05	
Total fair value of schemes' assets		**183.9**		169.5		137.7

(1) 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 2011 was £16.5m (2010: gain on schemes' assets £27.7m).

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

	2011 £m	2010 £m
Present value of funded defined benefit obligations	**(148.4)**	(145.9)
Fair value of schemes' assets	**183.9**	169.5
Surplus in schemes	**35.5**	23.6

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

	2011 £m	2010 £m
Interest cost on schemes' liabilities	**(7.6)**	(7.8)
Expected return on schemes' assets	**10.5**	9.4
Recognised in profit and loss	**2.9**	1.6

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

	2011 £m	2010 £m
At 1 January	**(145.9)**	(139.0)
Interest cost on schemes' liabilities	**(7.6)**	(7.8)
Actuarial gains/(losses)	**2.2**	(3.8)
Benefits paid/transfers out	**2.9**	4.7
At 31 December	**(148.4)**	(145.9)

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

	2011 £m	2010 £m
At 1 January	**169.5**	137.7
Expected return on schemes' assets	**10.5**	9.4
Actuarial gains	**6.0**	18.3
Employer contributions	**0.8**	8.8
Benefits paid/transfers out	**(2.9)**	(4.7)
At 31 December	**183.9**	169.5

Historical information:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Present value of funded defined benefit obligations	**(148.4)**	(145.9)	(139.0)	(115.4)	(123.4)
Fair value of schemes' assets	**183.9**	169.5	137.7	106.9	119.5
Schemes' surplus/(deficits)	**35.5**	23.6	(1.3)	(8.5)	(3.9)
Experience adjustments on schemes' liabilities	**0.9**	5.1	(0.6)	(2.1)	(0.3)
Percentage of schemes' liabilities	**0.6%**	3.5%	(0.4)%	(1.8)%	(0.2)%
Experience adjustments on schemes' assets	**5.9**	18.3	19.8	(21.2)	4.2
Percentage of schemes' assets	**3.2%**	10.8%	14.4%	(19.8)%	3.5%

(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 £6.3m (2010: £5.6m), of which £1.9m (2010: £1.6m) related to overseas schemes.

As at 31 December 2011, contributions of £0.1m (2010: £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.

37. Client money

Client money held was £1.8m (2010: £2.4m). This represents balances held by the Group received as a result of corporate actions relating to securities transactions.

38. 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 2011 was £0.1m (2010: £0.6m). The total amount owed by the Group to related parties and associates at 31 December 2011 was £nil (2010: £0.6m).

	Amounts owed by related parties		Amounts owed to related parties	
	2011 £m	**2010 £m**	**2011 £m**	**2010 £m**
Collins Stewart Employee Share Ownership Trust	**–**	–	**–**	0.6
Associates	**0.1**	0.6	**–**	–
	0.1	0.6	**–**	0.6

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.

Directors

Costs in respect 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 39 to 41.

	2011 £m	**2010 £m**
Short term benefits	**5.6**	5.9
Share-based awards	**1.4**	(1.3)
Social security costs	**0.8**	0.8
	7.8	5.4

The credit arising on share-based awards in 2010 reflects the lapse of the long term incentive award (2008) during the year (Note 30).

39. Principal subsidiaries and undertakings

At 31 December 2011, the following companies were the Group's principal trading subsidiary undertakings, principal intermediate holding companies and associates.

Subsidiary undertakings	Country of incorporation	Principal Activities	Issued ordinary shares, all voting
Tullett Prebon (Australia) Pty. Limited	Australia	Broking	100%
Marshalls (Bahrain) W.L.L. (1)	Bahrain	Broking	70%
Tullett Liberty (Bahrain) Co. W.L.L. (2)	Bahrain	Broking	49%
Tullett Prebon Holdings do Brasil Ltda.	Brazil	Holding company	100%
Convenção S/A Corretora de Valores e Câmbio	Brazil	Broking	100%
Tullett Prebon Canada Limited	Canada	Broking	100%
Tullett Prebon Group Holdings plc	England	Holding company	100%
TP Holdings Limited	England	Holding company	100%
Tullett Prebon Group Limited	England	Service company	100%
Tullett Prebon Investment Holdings Limited	England	Holding company	100%
Tullett Prebon (Europe) Limited	England	Broking	100%
Tullett Prebon (Securities) Limited	England	Broking	100%
Tullett Prebon (Equities) Limited	England	Broking	100%
Prebon Limited	England	Holding company	100%
Prebon Yamane International Limited	England	Holding company	100%
Tullett Prebon (No. 1)	England	Holding company	100%
Tullett Prebon Latin America Holdings Limited	England	Holding company	100%
Tullett Liberty (European Holdings) Limited	England	Holding company	100%
Prebon Group Limited	England	Holding company	100%
M.W. Marshall (Overseas) Limited	Jersey	Holding company	100%
Tullett Prebon Information Limited	Guernsey	Information sales	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 (3)	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 Prebon Energy (Singapore) Pte. Ltd.	Singapore	Broking	100%
Tullett Prebon (Singapore) Limited	Singapore	Broking	100%
Prebon Technology Services (Singapore) Pte. Ltd.	Singapore	IT support services	100%
Cosmorex A.G.	Switzerland	Broking	100%
Tullett Prebon (Americas) Holdings Inc.	USA	Holding company	100%
Tullett Prebon Americas Corp	USA	Holding company	100%
Tullett Prebon Financial Services LLC	USA	Broking	100%
Tullett Prebon Information Inc.	USA	Information sales	100%

(1) The Group's interest in the trading results is 90%.
(2) The Group's interest in the trading results is 85%. The company is consolidated as the Group, under a shareholder agreement, has control to govern the financial and operating policies of the company.
(3) The Group's interest in the trading results is 60%. The company is consolidated as the Group, under a shareholder agreement, governs the financial and operating policies of the company.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2011

39. Principal subsidiaries and undertakings continued

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 Yamane Tullett Prebon (Japan) Limited, which has a 31 March year end.

Associates	Country of incorporation	Principal Activities	Issued ordinary shares, all voting
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%

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.

40. Events after the balance sheet date

Subsequent to the 31 December the Group acquired 100% of the membership interests of Chapdelaine & Co. details of which are set out in Note 31.

On the 5 January 2012, 2,298,288 ordinary shares were issued to the former owners of Primex Energy Brokers Limited following the completion of acquisition related performance conditions.

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 2011 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011;

– 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 2011.

Manbhinder Rana F.C.A. (Senior Statutory Auditor)
for and on behalf of

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
6 March 2012

Company Balance Sheet

as at 31 December 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Investment in subsidiary undertakings	4	**831.2**	697.7
Current assets			
Receivables due within one year	5	**2.2**	3.2
Cash and cash equivalents		**26.7**	21.1
		28.9	24.3
Creditors: amounts falling due within one year	6	**–**	(0.8)
Net current assets		**28.9**	23.5
Total assets less current liabilities		**860.1**	721.2
Net assets		**860.1**	721.2
Capital and reserves			
Called-up share capital	7	**53.8**	53.8
Share premium	8	**9.9**	9.9
Equity reserve	8	**7.7**	5.3
Own shares	8	**(0.1)**	(0.1)
Profit and loss account	8	**788.8**	652.3
Shareholders' funds		**860.1**	721.2

The financial statements of Tullett Prebon plc (registered number 5807599) were approved by the Board of directors and authorised for issue on 6 March 2012 and are signed on its behalf by:

Terry Smith
Chief Executive

Notes to the Financial Statements

for the year ended 31 December 2011

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. As discussed on page 35 of the Corporate Governance Report the directors have a reasonable expectation that the Company 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.

(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.

2. Significant accounting policies continued

(c) Share-based payments

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

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

(d) Financial assets and financial liabilities

The Company has adopted FRS 25 'Financial Instruments: Presentation', FRS 26 'Financial Instruments: Recognition and Measurement'.

Financial assets are classified on initial recognition as 'loans and receivables'. Financial liabilities are classified on initial recognition as 'other financial liabilities'.

Loans and receivables

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

Other financial liabilities

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

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

(e) Employee Share Ownership Plans

The assets, liabilities and results of the Tullett Prebon plc Employee Benefit Trust 2007 are included in accordance with UITF Abstract 38 'Accounting for ESOP trusts'.

3. Profit for the year

As permitted in section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. Tullett Prebon plc reported a profit for the financial year ended 31 December 2011 of £169.0m (2010: profit £28.4m).

The auditor's remuneration for audit services to the Company was £0.4m (2010: £0.4m).

4. Investments in subsidiary undertakings

	2011 £m	2010 £m
Cost		
At 1 January	**697.7**	1,188.1
Capital contribution/(reduction) arising on share-based awards	**1.4**	(0.9)
Increase in investment in subsidiary undertaking	**130.5**	–
Recharges relating to share-based awards	**–**	(1.6)
Repurchase of shares by subsidiary undertaking	**–**	(488.2)
Increase in deferred consideration payable	**1.6**	0.3
At 31 December	**831.2**	697.7

In 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

	2011 £m	2010 £m
Amounts falling due within one year:		
Amounts due from Group undertakings	**2.2**	3.2

6. Creditors

	2011 £m	2010 £m
Amounts falling due within one year:		
Deferred consideration payable	**–**	0.8
	–	0.8

The Company has no borrowings as at 31 December 2011 (2010: £nil).

Notes to the Financial Statements continued
for the year ended 31 December 2011

7. Called-up share capital

	2011 No.	2010 No.
Allotted, issued and fully paid		
Ordinary shares of 25p	**215,313,584**	215,313,584

	2011 £m	2010 £m
Allotted, issued and fully paid		
Ordinary shares of 25p	**53.8**	53.8

Subsequent to the year end 2,298,288 ordinary shares were issued to the former owners of Primex Energy Brokers Limited following the completion of acquisition related performance conditions. These shares were issued on 5 January 2012.

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 2011	**53.8**	**9.9**	**5.3**	**(0.1)**	**652.3**	**721.2**
Profit for the year	**–**	**–**	**–**	**–**	**169.0**	**169.0**
Dividends paid	**–**	**–**	**–**	**–**	**(33.9)**	**(33.9)**
Credit arising on share-based awards	**–**	**–**	**–**	**–**	**1.4**	**1.4**
Equity component of deferred consideration	**–**	**–**	**2.4**	**–**	**–**	**2.4**
Balance at 31 December 2011	**53.8**	**9.9**	**7.7**	**(0.1)**	**788.8**	**860.1**
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

At 31 December 2011 the Company's distributable reserves amounted to £788.8m (2010: £652.3m).

Equity reserve
The reserve of £7.7m (2010: £5.3m) as at 31 December 2011 represents the value of 2,298,288 ordinary shares (2010: 1,420,212 ordinary shares) issuable to the former owners of Primex Energy Brokers Limited following the completion of acquisition related performance conditions. The shares were issued on 5 January 2012.

Shareholder Information

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Shareholder Information

Financial calendar for 2012
25 April
Ex-dividend Date

27 April
Dividend Record Date

10 May (2.30pm)
Annual General Meeting

17 May
Dividend payment date

Dividend mandate
Shareholders who wish their dividends to be paid directly into a bank or building society account should contact Capita Registrars for a dividend mandate form. This method of payment removes the risk of delay or loss of dividend cheques in the post and ensures that shareholders' accounts are credited on the dividend payment date.

Shareholder information on the internet
The Company maintains an investor relations page on its website (www.tullettprebon.com) which allows access to share price information, directors' biographies, copies of Company reports, selected press releases and other useful investor information.

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