Registered No 966604

# TULLETT PREBON (EUROPE) LIMITED

Report and Financial Statements

31 December 2013

STRATEGIC REPORT

**PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**
The Company is a wholly owned subsidiary within the Tullett Prebon plc group (the "Group") and operates as part of the Group's European inter-dealer broker ("IDB") business

The Company is a member of the London Stock Exchange, NYSE Euronext Paris, NYSE Euronext Amsterdam, Eurex, the London Metal Exchange and ICE Futures Europe

It is authorised and regulated by the Financial Conduct Authority

The Company's principal activity during the year continued to be that of an IDB in wholesale money, foreign exchange, off balance sheet financial instruments, Gilts, corporate repos, Global Depositary Receipts, Interest rate derivatives, FX options, and energy markets, providing services to banks, other financial institutions, local authorities and corporate clients The Company operates a hybrid business model with liquidity pools being managed by voice brokers supported by proprietary screens which display historical data, analytics and real time prices

Market conditions remained challenging throughout 2013 as the overall activity in the financial markets remained subdued, particularly during the second half of the year The financial results for 2013 do demonstrate, however, the benefit of the various actions, including restructuring, that have been taken to reduce costs and to maintain flexibility in the cost base

Volatility is one of the key drivers of activity in the financial markets, and despite increases in benchmark bond yields and a general steepening of yield curves over the year, measures of financial market volatility have remained low There has been some financial market turbulence during the year but periods of higher levels of market activity were isolated and have not been sustained

Market volumes have also been adversely affected by the more onerous regulatory environment applicable to many of our customers Regulators worldwide have been adopting an increased level of scrutiny in supervising the financial markets and have been generally tightening the capital, leverage and liquidity requirements of commercial and investment banks, and taking steps to limit or separate their activities in order to reduce risk This has reduced risk appetite, and reduced the willingness and ability of our customers to trade In particular the lack of clarity about which transactions and which counterparties would fall within the scope of the swap execution facility (SEF) rules introduced in the United States in October served to reduce OTC derivative market volumes and fragmented pools of liquidity

As shown in the Company's profit and loss account on page 7, the Company's revenue has decreased by 7 3% over the prior year to £296,169,000 This reflects a challenging year for the Company in most product areas The global slow down and lack of issuances in markets have been a large driver of the downturn seen in 2013 The Company's operating profit for the year ended 31 December 2013 was £62,023,000, a £2,110,000 decrease from 2012 This equates to an operating margin of 20 9% for the business compared with the 20 0% achieved in 2012

The balance sheet on page 9 of the financial statements shows that the Company's net assets have decreased to £115,833,000 (2012 £118,832,000) as a result of retained earnings decreasing Cash balances have decreased by £2,005,000 compared to 2012, and reflect regulatory cash movements Net current assets have decreased to £110,008,000 (2012 £113,647,000) and are sufficient to meet all existing liabilities that fall due

The Company's Paris, Luxembourg and Madrid branches continued in operation throughout 2013

The Tullett Prebon plc Group manages its European IDB broking operations on a regional basis For this reason, the Company's directors believe that further key performance indicators at Company level are not necessary or appropriate for an understanding of the development, performance or position of the business

The performance of the European IDB broking region, which includes the Company, is discussed in the Group's annual report which does not form part of this Report

**PRINCIPAL RISKS AND UNCERTAINTIES**

The key risks which the Company faces in its day to day operations can broadly be categorised as credit, market, operational, liquidity and reputational risk

Credit risk is the risk of financial loss to the Company in the event of non performance by a client or counterparty with respect to its contractual obligations to the Company As the Company's business is contracted on an agency or intermediary basis, the main credit risk is actually more akin to a market risk, as the exposure in such cases is to movements in securities prices and foreign currency A significant proportion of transactions brokered by the Company are on a 'Name passing' basis, where the Company acts as agent in arranging the trade Whilst the Company does not suffer any exposure in relation to the underlying instrument brokered (given that the Company is not a principal to the trade), it is exposed to the risk that the client fails to pay the brokerage it is charged

Market risk is the vulnerability of the Company to movements in the value of financial instruments Market risk can arise in those instances where one or both counterparties in a Matched Principal transaction fail to fulfil their obligations (i e an initially unsettled transaction) or through trade mismatches or other errors The risk in these situations is restricted to short-term price movements in the underlying securities held or to be delivered by the Company and movements in foreign exchange rates

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events

Liquidity risk is the risk that the Company, in periods of corporate or market volatility, will not have access to an appropriate level of cash or funding to enable it to finance its ongoing operations and any other reasonable unanticipated events on cost effective terms Cash and equivalent balances are held with the primary objective of capital security and availability, with a secondary objective of generating returns Funding requirements and cash and equivalent exposures are monitored by the Group Risk and Treasury Committee

Reputational risk is the risk that the Company's ability to do business might be damaged as a result of its reputation being tarnished

Management in front office and support functions have the day to day responsibility for ensuring that the Company operates in accordance with the Group Risk Assessment Framework which includes policies and procedures for these key risks Further details of the Group Risk Assessment Framework are fully outlined in the Group's Annual Report, which does not form part of this report

This report was approved by the Board of Directors and signed on its behalf by

Diana Dyer Bartlett

**D Dyer Bartlett**
Company Secretary
Date 4 March 2014

Registered office
Tower 42
Level 37
25 Old Broad Street
London
EC2N 1HQ

Registered No
966604

The directors present their Annual Report and financial statements for the year ended 31 December 2013

**RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £46,518,000 (2012 £47,088,000) and will be transferred to reserves

The directors paid interim dividends of £50,000,000 in total during 2013 (2012 £20,000,000) The Directors propose a final dividend for 2013 of £18,000,000 (2012 £nil)

**GOING CONCERN**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis in preparing the financial statements

Further details regarding the adoption of the going concern basis can be found in note 1, accounting policies, in the financial statements on page 10

**DIRECTORS**

The following directors held office during the year

J Birkholz
M P Bolton
S M Clark
P S Dunkley
A C Hadley
G D Harris (resigned 4 Mar 2013)
A L Monkhouse
R W Osborne
R G Parkes
A A Polydor
N J J Potter
A J D Wink

**ENVIRONMENTAL POLICY**

The nature of the Company's activities is such that it has a minimal direct effect on the environment However, management have agreed to adopt Group policies to safeguard the environment, to meet statutory requirements, or where such policies are commercially sensible

**EMPLOYEES**

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 14

The Company participates in the Group's policies and practices relating to current and prospective employees These policies and procedures are outlined in the Group's Annual Report which does not form part of this report

**AUDITORS**

Each of the persons who is a director at the date of approval of this annual report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Pursuant to s386 of the Companies Act 1985, an elective resolution was passed on 16 March 2005 dispensing with the requirement to appoint auditors annually This election was in force immediately before 1 October 2007 Therefore, Deloitte LLP are deemed to continue as auditors

This report was approved by the Board of Directors and signed on its behalf by

Diana Dyer Bartlett

**D Dyer Bartlett**
Company Secretary
Date 4 March 2014

Registered office
Tower 42
Level 37
25 Old Broad Street
London
EC2N 1HQ

Registered No
966604

# DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under Company law the directors must not approve the financial statements 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 preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TULLETT PREBON (EUROPE) LIMITED**

We have audited the financial statements of Tullett Prebon (Europe) Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 21 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 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 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 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 indentify 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 financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its profit for the year then ended,
- 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 matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements 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

**Manbhinder Rana F.C.A. (Senior Statutory Auditor)**
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
Date 4 March 2014

# PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|---|---|---|
| **TURNOVER** | 2 | 296,169 | 319,416 |
| Staff costs | 4 | (169,467) | (190,786) |
| Other administration expenses | | (65,396) | (65,099) |
| Total administration expenses | | (234,863) | (255,885) |
| Other operating income | 6 | 717 | 602 |
| **OPERATING PROFIT** | 3 | 62,023 | 64,133 |
| Interest receivable and similar income | 7 | 293 | 256 |
| Interest payable and similar charges | 8 | (1) | (6) |
| Dividends received and receivable | | 787 | 510 |
| **PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION** | | 63,102 | 64,893 |
| Tax charge on profit on ordinary activities | 9 | (16,584) | (17,805) |
| **PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION** | 19 | 46,518 | 47,088 |

Profit for the current and proceeding year relates solely to continuing operations

# STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2013

| | *2013* *£000* | *2012* *£000* |
|---|---|---|
| Profit for the financial year | 46,518 | 47,088 |
| Foreign exchange translation differences on foreign currency net investment in branches | 483 | 414 |
| Total recognised gains for the year | 47,001 | 47,502 |

# BALANCE SHEET
as at 31 December 2013

| | Notes | 2013 £000 | 2012 £000 |
|---|---|---|---|
| **FIXED ASSETS** | | | |
| Intangible assets | 10 | 643 | 848 |
| Tangible assets | 11 | 2,740 | 2,885 |
| Other investments | 12 | 2,902 | 2,902 |
| | | 6,285 | 6,635 |
| **CURRENT ASSETS** | | | |
| Debtors due within one year | 13 | 113,862 | 109,047 |
| Cash at bank and in hand | 14 | 66,723 | 68,728 |
| | | 180,585 | 177,775 |
| **CREDITORS:** amounts falling due within one year | 15 | (70,577) | (64,128) |
| **NET CURRENT ASSETS** | | 110,008 | 113,647 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 116,293 | 120,282 |
| **CREDITORS:** amounts falling due after one year | 16 | (269) | (268) |
| **PROVISIONS FOR LIABILITIES** | 17 | (191) | (1,182) |
| **NET ASSETS** | | 115,833 | 118,832 |
| **CAPITAL AND RESERVES** | | | |
| Called-up share capital | 18 | 23,000 | 23,000 |
| Share premium account | 19 | 2,051 | 2,051 |
| Profit and loss account | 19 | 90,782 | 93,781 |
| **SHAREHOLDERS' FUNDS** | 19 | 115,833 | 118,832 |

The financial statements of Tullett Prebon (Europe) Limited (registered number 966604) were approved by the Board of Directors and authorised for issue on 4 March 2014

Signed on its behalf by

**A J D Wink**
Director

## 1. ACCOUNTING POLICIES

*Accounting convention*
The financial statements are prepared under the historical cost convention, and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

*Going Concern*
After consideration of the Company's business review and the risks and uncertainties as set out in the Strategic 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

*Goodwill*
Goodwill arising on the acquisition of businesses representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years Provision is made for any impairment

*Intangible fixed assets*
The cost of intangible fixed assets is their purchase cost, together with any incidental costs at acquisition Intangible fixed assets are stated at cost less accumulated amortisation The cost is written off in equal annual instalments based on the estimated useful lives, which are

| | |
|---|---|
| Computer Software | up to 5 years |

*Tangible fixed assets*
The cost of fixed assets is their purchase cost, together with any incidental costs at acquisition Fixed assets are stated at cost less accumulated depreciation and provision for any impairment The cost is written off in equal annual instalments based on the estimated useful lives, which are

| | |
|---|---|
| Motor vehicles | 3 to 5 years |
| Plant and machinery, fixtures and fittings | 3 to 5 years |
| Land and buildings | over the period of the lease |

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

*Other investments*
Other investments including associates and other investments and loans are shown at cost less provision for impairment

*Cash flow statement*
The Company is exempt from reporting a cash flow statement in accordance with FRS 1 Cash Flows Statement (Revised 1996), as the Company is a wholly owned subsidiary of Tullett Prebon plc, which is registered in England and Wales and which prepares group financial statements which are publicly available

*Turnover*
Turnover comprises

Name Passing 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 Turnover is stated net of VAT, rebates and discounts and is recognised in full on trade date

## 1. ACCOUNTING POLICIES (continued)

Matched Principal brokerage, turnover being the net of the buy and sell proceeds from counterparties who have simultaneously committed to buy and sell the financial instrument Turnover is recognised on trade date

Executing Broker brokerage, where the Group executes transactions on certain regulated exchanges, and then 'gives-up' the trade to the relevant client, or its clearing member 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

*Trade date accounting*
Security transactions and related income are recorded on a trade date basis

*Broker contract payments*
Brokers are employed on fixed term contracts Broker contract payments made in accordance with a contract's terms that are in advance of the expected economic benefit due to the Group are accounted for as prepayments and included within prepayments and accrued income Broker contract 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 Broker contract prepayments are subject to annual review

Broker contract payments made in arrears are accrued and are included within accruals and deferred income

*Foreign currencies*
Transactions in foreign currencies are converted at exchange rates ruling at the transaction dates

Monetary assets and liabilities, denominated in foreign currencies at the balance sheet date are translated into sterling at the rates of exchange ruling at the balance sheet date Exchange gains and losses are taken to the profit and loss account

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date Exchange differences arising are classified as equity

*Leasing and hire purchase commitments*
Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and their useful lives The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease

*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

1. **ACCOUNTING POLICIES (continued)**

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

***Related party transactions***
The Company has taken advantage of reporting exemptions in accordance with FRS 8 Related Party Transactions, since it is a wholly owned subsidiary of a group where the voting rights are controlled within the Group and the Group's parent financial statements are publicly available

***Segmental reporting***
The Company has taken advantage of reporting exemptions in accordance with SSAP 25 Segmental Reporting, since it is a subsidiary of a group which provides segmental information in compliance with an equivalent accounting standard

***Financial Instruments***
The Company is exempt from FRS 29 Financial Instruments Disclosures, as it is a wholly owned subsidiary of Tullett Prebon plc whose consolidated financial statements are publicly available and include disclosures equivalent to that required under FRS 29

***Settlement Balances***
The Company engages 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

***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 date of acquisition

***Provisions***
Provisions are recognised when the Company 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 Company has a detailed formal plan for the restructuring, which has been notified to affected parties

***Dividend policy***
Dividend income from investments is recognised when the Company's rights to receive payment have been established

## 2. TURNOVER

Turnover is analysed by geographic area as follows

| | *2013* | *2012* |
|---|---|---|
| | *£000* | *£000* |
| Europe | 296,169 | 319,416 |

## 3. OPERATING PROFIT

This is stated after charging

| | *2013* | *2012* |
|---|---|---|
| | *£000* | *£000* |
| Depreciation of property, plant and equipment (Note 11) | | |
| - owned | 201 | 133 |
| - held under finance leases and hire purchase contracts | 18 | 59 |
| Operating lease rentals | | |
| - land and buildings | 303 | 306 |
| Amortisation of intangible assets (Note 10) | 205 | 453 |
| Auditor's remuneration | | |
| - for the audit of the Company's statutory accounts | 83 | 93 |
| - other assurance services | 40 | 24 |

A material proportion of the Company's expenditure, including auditor's remuneration in respect of audit work, is incurred by Tullett Prebon Group Limited This is recovered by Tullett Prebon Group Limited by way of a management charge to the Company

## 4. STAFF COSTS

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Wages and salaries | 144,447 | 163,163 |
| Social security costs | 21,794 | 23,721 |
| Other pensions costs | 3,226 | 3,902 |
| | 169,467 | 190,786 |

The Company's operations are carried out by employees of the Company's branches and Tullett Prebon Group Limited Staff costs represent amounts incurred directly or charged to the Company as a direct allocation of expenses by Tullett Prebon Group Limited During the year, the average monthly number of employees identified as being directly involved in the operation of the Company was 570 (2012 596)

Pension schemes are operated for the employees of Tullett Prebon Group Limited Full details of the pension schemes including the main financial assumptions for the defined benefit plans, are disclosed in accordance with FRS 17 Retirement Benefits, in the financial statements of Tullett Prebon Group Limited

The pension charge for the year was £3,226,000 (2012 £3,902,000) which represents a direct allocation of expenses by Tullett Prebon Group Limited to the Company

## 5. DIRECTORS' EMOLUMENTS

| | 2013 £000 | 2012 £000 |
|---|---|---|
| Emoluments (including pension contributions) | 5,117 | 7,198 |
| Company contributions paid to pension schemes | 25 | 45 |

At 31 December 2013 retirement benefits were accruing to 7 directors (2012 9) under a defined contribution scheme

**5. DIRECTORS' EMOLUMENTS (continued)**

The amount in respect of the highest paid director is as follows

| | *2013* | *2012* |
|---|---|---|
| | *£000* | *£000* |
| Emoluments (excluding pension contributions) | 1,052 | 1,257 |
| Company contributions paid to pension schemes | 4 | 4 |

**6. OTHER OPERATING INCOME**

Other operating income represents receipts other than those earned through Name Passing, Executing Brokerage or Matched Principal turnover

**7. INTEREST RECEIVABLE AND SIMILAR INCOME**

| | *2013* | *2012* |
|---|---|---|
| | *£000* | *£000* |
| Other interest receivable | 293 | 256 |
| | 293 | 256 |

**8. INTEREST PAYABLE AND SIMILAR CHARGES**

| | *2013* | *2012* |
|---|---|---|
| | *£000* | *£000* |
| Interest payable under finance leases | 1 | 6 |
| | 1 | 6 |

## 9. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

| | *2013* *£000* | *2012* *£000* |
|---|---|---|
| Current tax | | |
| UK corporation tax charge on profit for the year | 16,243 | 17,774 |
| Double taxation relief | (833) | (817) |
| | 15,410 | 16,957 |
| Foreign Taxes | 1,088 | 968 |
| Adjustment to tax in respect of prior years | 86 | (120) |
| Tax charge on profit on ordinary activities | 16,584 | 17,805 |

*Factors affecting the current tax charge*
The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 23 25% (2012 24 5%) The differences are reconciled below

| | *2013* *£000* | *2012* *£000* |
|---|---|---|
| Profit on ordinary activities before tax | 63,102 | 64,893 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK | 14,671 | 15,899 |
| Expenses not deductable for tax purposes | 1,756 | 1,972 |
| Non-taxable dividends | (183) | (125) |
| Foreign tax | 255 | 151 |
| Adjustment to tax in respect of previous periods | 86 | (120) |
| Other | (1) | 28 |
| Current tax charge for the year | 16,584 | 17,805 |

## 10. INTANGIBLE ASSETS

### 10a. Goodwill

Goodwill (the fair value of assets acquired less the cost of acquisition) relates to acquisition of businesses from Tullett Liberty GmbH and Tullett Prebon (Oil) Limited, both Group companies, on 1 November 2002 and 31 October 2010 respectively Goodwill is being amortised over its estimated useful life of 10 years

**10. INTANGIBLE ASSETS (continued)**

| | *Goodwill* *£000* |
|---|---|
| Cost | |
| At 1 January 2013 | 4,492 |
| At 31 December 2013 | 4,492 |
| Amortisation | |
| At 1 January 2013 | (3,659) |
| Charge for the year | (200) |
| At 31 December 2013 | (3,859) |
| Net book value | |
| At 31 December 2013 | 633 |
| At 31 December 2012 | 833 |

**10B. OTHER INTANGIBLE ASSETS**

| | *Purchased Software* *£000* |
|---|---|
| Cost | |
| At 1 January 2013 | 143 |
| Additions | - |
| *Amounts derecognised* | (3) |
| At 31 December 2013 | 140 |
| Amortisation | |
| At 1 January 2013 | (128) |
| Charge for the year | (5) |
| Amounts derecognised | 3 |
| At 31 December 2013 | (130) |
| Net book value | |
| At 31 December 2013 | 10 |
| At 31 December 2012 | 15 |

## 11. TANGIBLE FIXED ASSETS

| | *Land and Buildings* *£000* | *Plant and Machinery fixtures and fittings* *£000* | *Motor Vehicles* *£000* | *Total* *£000* |
|---|---|---|---|---|
| Cost | | | | |
| At 1 January 2013 | 2,899 | 989 | 351 | 4,239 |
| Additions | - | 11 | - | 11 |
| Disposals | - | (29) | (73) | (102) |
| Exchange adjustments | 82 | 6 | 3 | 91 |
| At 31 December 2013 | 2,981 | 977 | 281 | 4,239 |
| Depreciation | | | | |
| At 1 January 2013 | (531) | (494) | (329) | (1,354) |
| Charge for year | (53) | (148) | (18) | (219) |
| Disposals | - | 28 | 64 | 92 |
| Exchange adjustments | (13) | (7) | 2 | (18) |
| At 31 December 2013 | (597) | (621) | (281) | (1,499) |
| Net book value | | | | |
| At 31 December 2013 | 2,384 | 356 | (-) | 2,740 |
| At 31 December 2012 | 2,368 | 495 | 22 | 2,885 |

The net book value of assets under finance leases and hire purchases contracts was £nil (2012 £25,961)

## 12. OTHER INVESTMENTS

| | *Associate and Other Investments* *£000* |
|---|---|
| Cost | |
| At 1 January 2013 | 2,902 |
| Additions | - |
| At 31 December 2013 | 2,902 |

## 12 OTHER INVESTMENTS (CONTINUED)

| | Associates and Other Investments *£000* |
|---|---|
| Net book value | |
| At 31 December 2013 and 31 December 2012 | 2,902 |

At 31 December 2013 the Company held investments in the issued share capital of the following companies

| *Company* | *Business* | *Country of incorporation* | *% held* |
|---|---|---|---|
| **Associates** | | | |
| Tullett Prebon SITICO (China) Limited | Derivatives and money broking | China | 33% |
| **Other Investments and loans** | | | |
| Euroclear plc<br>1,809 ordinary shares<br>shares of €1 each | Settlement agent | Belgium | <1% |
| LME Holdings Ltd<br>25,000 ordinary shares<br>shares of £0 01 each | Dealing exchange | England | <1% |

## 13 DEBTORS

| | *2013* *£000* | *2012* *£000* |
|---|---|---|
| Amounts falling due within one year | | |
| Trade debtors | 29,883 | 27,456 |
| Amounts owed by Group undertakings | 20,701 | 24,435 |
| Settlement balances | 58,967 | 51,049 |
| Prepayments and accrued income | 4,067 | 5,854 |
| Other debtors | 244 | 253 |
| | 113,862 | 109,047 |

**13. DEBTORS (CONTINUED)**

Included in settlement balances is an amount of £57,691,000 (2012 £47,972,000) in respect of transactions not yet due for settlement This amount represents sale of securities where settlement will take place on a delivery versus payment basis The form of these transactions is that the Company takes temporary control until the transactions are settled Settlement balances past due date total £1,276,000 (2012 £3,077,000), and are received in the normal course of business

**14. CASH AT BANK AND IN HAND**

Cash at bank for 2013 is £66,723,000 (2012 £68,728,000)

**15. CREDITORS:** amounts falling due within one year

| | *2013* *£000* | *2012* *£000* |
|---|---|---|
| Obligations under finance leases and hire purchase contracts (Note 16a) | 5 | 31 |
| Trade creditors | 1,045 | 677 |
| Other creditors | 1,144 | 982 |
| Settlement balances | 58,964 | 51,241 |
| Corporation tax | 5,842 | 7,991 |
| Accruals and deferred income | 3,577 | 3,206 |
| | 70,577 | 64,128 |

Included in settlement balances above is an amount of £57,688,000 (2012 £48,166,000) in respect of transactions not yet due for settlement Settlement balances past due date total £1,276,000 (2012 £3,075,000), and are paid in the normal course of business

**16. CREDITORS:** amounts falling due after one year

| | *2013* *£000* | *2012* *£000* |
|---|---|---|
| Obligations under finance leases and hire purchase contracts | - | 5 |
| Accruals and deferred income | 269 | 263 |
| | 269 | 268 |

**16a** Borrowings are repayable as follows

| | *2013* *£000* | *2012* *£000* |
|---|---|---|
| Finance Leases | | |
| Between one and two years | - | 5 |
| Between two and five years | - | - |
| | - | 5 |
| On demand or within one year | 5 | 31 |
| | 5 | 36 |

## 17. PROVISIONS FOR LIABILITIES

| | *Restructuring £000* |
|---|---|
| At 31 December 2011 | 119 |
| Charged to profit and loss account | 3,665 |
| Utilisation of provision | (2,602) |
| At 31 December 2012 | 1,182 |
| Charged to profit and loss account | 415 |
| Utilisation of provision | (1,406) |
| At 31 December 2013 | 191 |

The provisions in respect of restructuring costs relates to costs of staff rationalisation

## 18. CALLED–UP SHARE CAPITAL

| | *2013 £000* | *2012 £000* |
|---|---|---|
| Allotted, called-up and fully paid 23,000,000 ordinary shares of £1 each (2012 23,000,000) | 23,000 | 23,000 |

## 19 RECONCILIATION OF SHAREHOLDERS' FUNDS

| | *Share capital £000* | *Share account £000* | *Profit account £000* | *Total equity Funds £000* |
|---|---|---|---|---|
| At 1 January 2012 | 23,000 | 2,051 | 66,279 | 91,330 |
| Profit for the year | - | - | 47,088 | 47,088 |
| Dividend paid in the year | - | - | (20,000) | (20,000) |
| Foreign exchange translation differences on foreign currency net investment in branches | - | - | 414 | 414 |
| At 1 January 2013 | 23,000 | 2,051 | 93,781 | 118,832 |
| Profit for the year | - | - | 46,518 | 46,518 |
| Dividend paid in the year | - | - | (50,000) | (50,000) |
| Foreign exchange translation differences on foreign currency net investment in branches | - | - | 483 | 483 |
| At 31 December 2013 | 23,000 | 2,051 | 90,782 | 115,833 |

## 20. FINANCIAL COMMITMENTS

The Company had annual commitments under non-cancellable operating leases as set out below

| | *2013 Buildings* | *2013 Other* | *2012 Buildings* | *2012 Other* |
|---|---|---|---|---|
| | *£000* | *£000* | *£000* | *£000* |
| Annual commitment on leases expiring | | | | |
| - within one year | 210 | 4 | 206 | - |
| - in two to five years | 465 | 187 | 574 | 127 |
| | 675 | 191 | 780 | 127 |

## 21. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Tullett Prebon Investment Holdings Limited

The Company's ultimate parent and controlling party is Tullett Prebon plc

The parent undertaking of the smallest group which includes the Company for which group accounts are prepared is Tullett Prebon Group Holdings plc

The parent undertaking of the largest group which includes the Company for which group accounts are prepared is Tullett Prebon plc

Copies of Tullett Prebon Group Holdings plc and Tullett Prebon plc financial statements are available from the registered office Tower 42, Level 37, 25 Old Broad Street, London, EC2N 1HQ