

Company Number 00966604

Tullett Prebon (Europe) Limited

Annual Report and Financial Statements - 31 December 2018



STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their Annual Report and the audited financial statements of Tullett Prebon (Europe) Limited (the 'Company') for the year ended 31 December 2018.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The Company's principal activity during the year continued to be that of an Inter Dealer Broker (IDB) in wholesale money markets, foreign exchange, Government Bonds, corporate repos, global depositary receipts, FX options, energy markets, Interest rate derivatives and off balance sheet financial instruments, providing services to banks, other financial institutions, local authorities and corporate clients.

The Company operates a voice and hybrid business model with liquidity pools being managed by voice brokers supported by proprietary screens which display historical data, analytics and real time prices.

2018 represented a mixed year for market activity with continued uncertainty regarding Brexit and the implementation of MiFID II in January 2018, which has had a significant impact on the Company and client base; in particular the introduction of standardised fee cards, the increased business activity on MiFID Venues and the equivalency status affecting the trading obligation.

Structural factors, such as bank regulation, have continued to affect the interdealer broker industry since the financial crisis.

The Company is operating in an environment of ultra-low interest rates, and risk appetite remains subdued amongst our clients.

However, in certain markets and times throughout the year the Company have seen an increased flow of business, primarily from global uncertainty, and movement in underlying asset prices in core product offerings. Generally, this volatility, and the steepness and absolute level of yield curves the Company have seen, are key drivers of activity.

Financial markets have also maintained reasonable levels of debt issuance, promoting secondary trading activity with our clients and hedging activity through the use of interest rate derivatives.

The foreign exchange and money markets business comprises spot, forward foreign exchange, and cash products. Market conditions were generally positive owing to major market events promoting client business and exchange rate volatility, in particular Brexit induced GBP volatility.

Emerging markets have performed well, based on revenues from domestic activity in local markets and cross border activity in globally traded emerging market foreign exchange and interest rate products.

The Company's Paris and Madrid branches continued in operation throughout 2018. The Company's Tokyo branch ceased trading during the year.

RESULTS

The results of the Company are set out in the statement of profit and loss on page 9.

The profit for the financial year of £40,525,000 (2017: £24,093,000) has been transferred to reserves.

The net assets of the Company are £136,558,000 (2017: £88,398,000)

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, capital management, strategic and business risk and operational.

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 more akin to a market risk, as the exposure in such cases is to movements in securities prices and foreign currency. A significant portion 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.

The Company has no significant concentrations of credit risk and the maximum exposure is limited to debtors (note 16) and cash (note 17), other than matched principal trade debtors. In a matched principal transaction there is a simultaneous commitment by the counterparties to sell and purchase a financial instrument meaning there does exist short-term credit exposure, prior to clearing and settlement, and outstanding receivables that the Company manages.

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. Operational risk covers a wide and diverse range of risk types and the overall objective of the Company's approach to operational risk management is not to attempt to avoid all potential risks but to proactively identify and assess risk and risk situations in order to manage them in an efficient and informed manner.

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 Finance and Operations departments.

Capital management risk is the risk arising from failure to maintain adequate levels of capital. The Company is exposed to the risk of new regulations imposing a fundamental change to the structure or activity of financial markets which could result in the obligation to hold punitive levels of regulatory capital. The Company monitors closely regulatory developments in its markets and is actively involved in consultation and rule setting processes so as to ensure an informed debate of all regulatory issues potentially affecting the IDB markets, both on an individual firm basis and through trade associations. The Company board also undertakes an informed assessment of whether the Company holds sufficient capital in the context of the Company's overarching business objectives, the nature of its business model and risk profile, and its risk management framework. The Company has maintained appropriate financial resources throughout the year.

Strategic and business risk is the risk that the Company's ability to do business might be damaged as a result of its failure to adapt to changing market dynamics, customer requirements or the way OTC markets and their participants are regulated.

There is a risk that Brexit leads to a macroeconomic downturn and a consequential reduction in trading volumes and revenue.

For some months the Company has been preparing for all eventualities, including the UK leaving the EU without a deal. In that circumstance, the Company would lose its ability to provide services in the EU27 zone using passports, either through branches or on a cross-border services basis and the ability to continue doing business in Europe would be restricted.

There are three main activity streams to consider that are dependent on the particular location of a client and the specific asset class.

The first is the business done in the UK for UK and non-EU clients. This should be largely unaffected although in future there may be a consequential impact from the changes made to protect other streams of activity.

The second stream of activity is that which is carried out in the EU for the clients in the EU. To enable EU to EU business the Company needs to operate via both a legal entity and a venue in the EU. A new Group Company has been set up in France, TP ICAP (Europe) SA, which is taking over the Company's branches in France and Spain.

The Group has been given authorisation from the French prudential regulator for a subsidiary based in France, with branch offices in other EU sites, to provide services in the EU.

A multilateral trading facility (MTF) and two organised trading facilities (OTF) have been created in the EU so that EU activity can be conducted on MiFID II venues after the UK leaves the EU.

The third stream of activity is the business done for EU based clients through broking desks in the UK. In a no deal Brexit, the Company may not be able to conduct this activity in the way it has done to date. Plans have been made to adjust the business model so that the Group can continue to service these clients.

The ultimate distribution of staff between the UK and the EU will depend on clients requirements and locations but for the foreseeable future we expect the UK to remain a major centre for financial, energy and commodities markets.

Contingency plans for a no deal Brexit have been put in place and the Group is working hard to minimise the impact however it is difficult to gauge the scale of any impact at this stage.

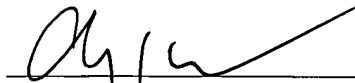
Management have the day-to-day responsibility for ensuring that the Company operates in accordance with the Enterprise Risk Management Framework. The Group has approved policies and procedures to manage credit, operational, liquidity, reputational and legal risk. Further details of the Enterprise Risk Management Framework are outlined in the TP ICAP plc (the "Group") Annual Report, which does not form part of this report.

KEY PERFORMANCE INDICATORS

The Company's return on assets, calculated as net profit divided by net assets, is 29.2% (2017: 27.3%). This is slightly up on the previous year and in line with management expectations.

The Directors of TP ICAP plc manage the Group's operations on a regional basis. For this reason, the Company's Directors believe that further analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The key performance indicators of TP ICAP plc, which includes the Company, are discussed in the Group's Annual Report, which does not form part of this report.

This report has been approved by the board of Directors and signed by order of the board:


A A Polycor
Director

29 March 2019

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL ACTIVITIES

Tullett Prebon (Europe) Limited (the “Company”) operates as part of the Group’s European inter-dealer broker (“IDB”) business.

The Company is incorporated in the United Kingdom and domiciled in England and Wales. The Company is a private company limited by shares. The registered office is Floor 2, 155 Bishopsgate, London, England, EC2M 3TQ.

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

The Company is authorised and regulated by the Financial Conduct Authority.

The Company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK, in France and Spain.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Details of business review and future developments can be found in the Strategic Report on page 1.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties can be found in the Strategic Report on page 2 and the financial risk management note (Note 3).

GOING CONCERN

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being at least the next twelve months from approval of the financial statements. 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 13.

DIVIDENDS

During 2018 the Directors declared and paid dividends on the ordinary shares of £23,000,000 (2017: £41,500,000).

No further dividends have been proposed up to the date of signing.

DIRECTORS

The following persons were Directors of the Company during the financial year and up to the date of this report, unless otherwise stated:

P Ashley
J Birkholz (resigned 31 October 2018)
S C Duckworth (resigned 13 November 2018)
D M D Goodchild
P Dunkley

G H Martin
A A Polydor
N J J Potter
K McDermott

DIRECTOR’S INDEMNITIES

The Company’s ultimate parent, TP ICAP plc, has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report.

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.

POLITICAL CONTRIBUTIONS

There were no political donations made by the Company during the year (2017: £nil).

Tullett Prebon (Europe) Limited
Directors' report
31 December 2018

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Company is committed to attracting, retaining, developing and advancing 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.

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

POST BALANCE SHEET EVENTS

There have been no post balance sheet events from 31 December 2018 up to the date of signing which require separate disclosure.

INDEPENDENT AUDITOR

The Company's incumbent auditor, Deloitte LLP, have indicated their willingness to continue in office and are deemed reappointed in the next financial year.

PROVISION OF INFORMATION TO THE AUDITOR

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Company's auditor, each Director has taken all the steps that they are obliged to take as a Director in order to made themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

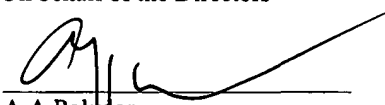
This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

APPROVAL OF REDUCED DISCLOSURES

As permitted by FRS 101, the Company has taken advantage of all the disclosure exemptions available to it, including: statement of cash flows, new accounting standards not yet mandatory, presentation of comparative information for certain assets, impairment of assets, fair value measurement, key management compensation, related party transactions and share-based payments.

The report is authorised for issue by the board of Directors.

On behalf of the Directors


A A Polydor
Director

29 March 2019

Company No: 00966604

Tullett Prebon (Europe) Limited
Directors' responsibilities statement
31 December 2018

The Directors are responsible for preparing the Strategic Report, Directors' 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 FRS 101 'Reduced Disclosure Framework'. 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 the profit or loss of the Company for that year. This is the first year the Company has adopted FRS 101 (please see Note 1 for further details).

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 FRS 101 'Reduced Disclosure Framework' has 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Tullett Prebon (Europe) Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of which comprise:

- the statement of profit and loss;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the Directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Tullett Prebon (Europe) Limited
Independent auditor's report to the members of Tullett Prebon (Europe) Limited
31 December 2018

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Ben Jackson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 March 2019

Tullett Prebon (Europe) Limited
Statement of profit or loss
For the year ended 31 December 2018

		Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Revenue	4	247,061	247,988
Expenses			
Administrative costs	5	(203,581)	(220,647)
Other operating income/ (expenses)	8	<u>1,680</u>	<u>(1,411)</u>
Operating profit		45,160	25,930
Interest receivable and similar income	9	139	41
Interest payable and similar expenses	10	(21)	(54)
Dividends received and receivable	11	<u>4,168</u>	<u>3,886</u>
Profit before income tax expense		49,446	29,803
Income tax expense	12	<u>(8,921)</u>	<u>(5,710)</u>
Profit after income tax expense for the year		<u><u>40,525</u></u>	<u><u>24,093</u></u>

The profit for the current and prior year result solely from continuing operations.

The above statement of profit or loss should be read in conjunction with the accompanying notes

Tullett Prebon (Europe) Limited
Statement of other comprehensive income
For the year ended 31 December 2018

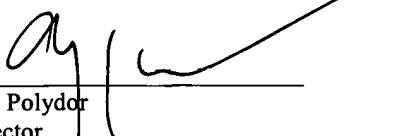
	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Profit after income tax expense for the year	40,525	24,093
Other comprehensive income		
Translation of overseas branches	(200)	(521)
Other investments revaluation (see Note 13)	1,798	46
Tax relating to components of other comprehensive loss	<u>(306)</u>	<u>(9)</u>
Other comprehensive income for the year, net of tax	<u>1,292</u>	<u>(484)</u>
Total comprehensive income for the year	<u><u>41,817</u></u>	<u><u>23,609</u></u>

The above statement of other comprehensive income should be read in conjunction with the accompanying notes

Tullett Prebon (Europe) Limited
Balance sheet
As at 31 December 2018

	Note	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Assets			
Non-current assets			
Other investments	13	4,810	3,012
Investment in associate	14	922	922
Property, plant and equipment	15	2,428	2,551
Total non-current assets		<u>8,160</u>	<u>6,485</u>
Current assets			
Debtors	16	258,462	373,986
Cash and cash equivalents	17	66,812	42,997
Total current assets		<u>325,274</u>	<u>416,983</u>
Total assets		<u>333,434</u>	<u>423,468</u>
Liabilities			
Non-current liabilities			
Deferred tax	12	367	196
Provisions	18	101	5,793
Total non-current liabilities		<u>468</u>	<u>5,989</u>
Current liabilities			
Creditors: amounts falling due within one year	19	188,033	323,722
Tax payable	12	8,375	5,359
Total current liabilities		<u>196,408</u>	<u>329,081</u>
Total liabilities		<u>196,876</u>	<u>335,070</u>
Net assets		<u>136,558</u>	<u>88,398</u>
Equity			
Issued capital	20	23,000	23,000
Share premium		29,486	-
Other reserves		4,379	2,887
Retained profits		<u>79,693</u>	<u>62,511</u>
Total equity		<u>136,558</u>	<u>88,398</u>

The financial statements on pages 9 to 31 were approved and authorised for issue by the board of Directors on 29 March 2019 and were signed on its behalf by:


A A Polydor
Director

29 March 2019

Company No: 00966604

The above balance sheet should be read in conjunction with the accompanying notes

Tullett Prebon (Europe) Limited
Statement of changes in equity
For the year ended 31 December 2018

	Issued capital £'000	Share premium £'000	Other reserves £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2017	23,000	-	2,850	80,558	106,408
Profit after income tax expense for the year	-	-	-	24,093	24,093
Other comprehensive income for the year, net of tax	-	-	37	(521)	(484)
Total comprehensive income for the year	-	-	37	23,572	23,609
Share-based payment	-	-	-	(119)	(119)
Dividends paid (note 21)	-	-	-	(41,500)	(41,500)
Balance at 31 December 2017	<u>23,000</u>	<u>-</u>	<u>2,887</u>	<u>62,511</u>	<u>88,398</u>
	Issued capital £'000	Share premium £'000	Other reserves £'000	Retained profits £'000	Total equity £'000
Balance at 1 January 2018	23,000	-	2,887	62,511	88,398
Profit after income tax expense for the year	-	-	-	40,525	40,525
Other comprehensive income for the year, net of tax	-	-	1,492	(200)	1,292
Total comprehensive income for the year	-	-	1,492	40,325	41,817
Share capital issued	-	29,486	-	-	29,486
Expected credit loss adjustment	-	-	-	(189)	(189)
Share based payment	-	-	-	58	58
Deferred tax	-	-	-	(12)	(12)
Dividends paid (note 21)	-	-	-	(23,000)	(23,000)
Balance at 31 December 2018	<u>23,000</u>	<u>29,486</u>	<u>4,379</u>	<u>79,693</u>	<u>136,558</u>

Share capital

The balance classified as share capital includes the nominal value of the proceeds on issue of the Company's share capital, comprising £1 ordinary shares.

Share premium

The share premium includes the value of the proceeds above nominal on issue of the Company's share capital, comprising £1.00 ordinary shares. During the year, the Company issued a further share for a total share premium of £29,486,000.

Other reserves

Other reserves represent capital redemption reserves and gains/losses arising on revaluation on other investments held. Retained profits represents cumulative profits or losses, net of dividends paid and other adjustments.

The above statement of changes in equity should be read in conjunction with the accompanying notes

Note 1. General information and principle accounting policies

General information

The Company is a private company limited by shares.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

After consideration of the Company's business review and the risks and uncertainties; including the risks related to Brexit as set out in the Strategic Report, and having considered the Company's forecasts including the Company's liquidity and capital, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future being at least the next twelve months from approval of the financial statements. Accordingly, the going concern basis continues to be used in preparing these financial statements. Brexit implications have been considered in the Going Concern assessment.

Basis of preparation

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The financial statements are prepared in pound sterling which is the functional currency of the Company.

Transition to FRS 101

This is the first year the Company is adopting FRS 101. In previous periods the accounts were presented under FRS 102. FRS 101 has been adopted for this period in order to align the statutory reporting framework to other entities within the Group.

The transition has resulted in IFRS 9 and IFRS 15, which are mandatory for periods commencing on or after 1 January 2018, being applicable to the entity for the first time.

IFRS 9 Financial Instruments

The company has adopted IFRS 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model for which the objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model for which the objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The impact of applying the new impairment model under IFRS 9 is discussed within the impairment of financial assets accounting policy (Note 1).

Note 1. General information and principle accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 from 1 January 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The adoption of IFRS 15 has not had a significant effect on the amounts reported in these financial statements.

There has been no other significant impact on the amounts reported during the period as a result of applying FRS 101 for the first time. Additional disclosures related to financial risk management have been made in the current year (Note 3).

As permitted by FRS 101, the Company has taken advantage of all of the disclosure exemptions available to it, including: statement of cash flows, new accounting standards not yet mandatory, presentation of comparative information for certain assets, impairment of assets, fair value measurement, key management compensation, related party transactions and share-based payments.

Where relevant, equivalent disclosures have been given in the group accounts of TP ICAP plc.

The Company's ultimate parent is TP ICAP plc (incorporated in the United Kingdom) and its consolidated financial statements are available from Companies House.

Items which are of a non-recurring nature and material, when considering both size and nature, are disclosed separately to give a clearer presentation of the Company's results.

New or amended Accounting Standards and Interpretations adopted

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the current reporting period.

The adoption of IFRS 9 and IFRS 15 were most relevant to the Company, as detailed above. No other new standards or amendments have had a significant impact on the disclosures or on the amounts reported in these financial statements.

Historical cost convention

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council.

Revenue

Revenue comprises:

Name Passing brokerage, where counterparties to a transaction settle directly with each other. Revenue for the provision of the service of matching buyers and sellers of financial instruments is stated net of VAT, rebates and discounts and is recognised in full on trade date.

Matched Principal brokerage, turnover being the net proceeds from a commitment to simultaneously buy and sell financial instruments with counterparties, 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. Revenue for the provision of the service of matching buyers and sellers of financial instruments 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.

Note 1. General information and principle accounting policies (continued)

Interest receivable and similar income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Borrowing costs

All borrowing costs are expensed as interest payable and similar charges in the statement of profit and loss using the applicable effective interest rate.

Tax

Tax on the profit for the year comprises both current and deferred tax as well as adjustments in respect of prior years. Tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the current and deferred tax is also dealt with in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted, or substantially enacted by the balance sheet date.

Deferred tax is recognised using the liability method, in respect of all temporary differences between the carrying value of assets and liabilities for reporting purposes and the tax bases of the assets and liabilities. Deferred tax is calculated at the rate of tax expected to apply when the liability is settled or the asset is realised. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Calculations of current and deferred tax liability have been based on ongoing discussions with the relevant tax authorities, management's assessment of legal and professional advice, case law and other relevant guidance. Where the expected tax outcome of these matters is different from the amounts that were recorded initially, such differences will impact the current and deferred tax amounts in the period in which a reassessment of the liability is made.

Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing on the dates of the transactions.

At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences are taken to the statement of profit and loss.

Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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 recorded in the statement of other comprehensive income and transferred to the Company's profit and loss account in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, overdrafts and demand deposits and other short-term highly liquid investments which are subject to insignificant risk of change in value and are readily convertible into a known amount of cash with less than three months maturity.

Debtors

Debtors are recognised at amortised cost less provision for impairment.

All provisions are recorded within administrative expenses in the statement of profit and loss.

Note 1. General information and principle accounting policies (continued)

Associates

Associates are entities over which the Company has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

Financial instruments

The Company has applied IFRS 9 from 1 January 2018 which has replaced IAS 39 'Financial Instruments: Recognition and Measurement'. Under the transition methods chosen, comparative information has not been restated. The Company had no hedging relationships as at this date or during the current reporting period. The details of new significant accounting policies are set out below.

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset.

There are three principal classification categories for financial assets that are debt instruments:

- (i) fair value through other comprehensive income 'FVOCI',
- (ii) fair value through profit or loss 'FVTPL' and
- (iii) amortised cost

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income ('OCI'). This election is made on an investment-by-investment basis.

Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

All financial assets not classified as "measured at amortised cost" or "FVOCI" are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as an asset measured at FVTPL if doing this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

There has been no impact on the classification and measurement of the Company's financial assets, except for equity assets that were classified as available-for-sale under IAS 39 which, at the date of initial application of IFRS 9, the Company elected to apply the FVOCI option.

There has been no change in the accounting for financial liabilities as IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Under IFRS 9, changes in the fair value of a financial liability designated as at FVTPL due to credit risk are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' 'ECL' model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

The financial assets at amortised cost consist of trade receivables, intercompany debtors, settlement balances, deposits paid for securities borrowed, and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

Note 1. General information and principle accounting policies (continued)

- 12-month ECLs: these are ECLs that result from expected default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all expected default events over the expected life of a financial instrument.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and cash and cash equivalents for which credit risk has not increased significantly since initial recognition.

The Company has elected to measure loss allowances for trade receivables, intercompany debtors, settlement balances and deposits paid for securities borrowed at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher per Moody's or BBB- or higher per both Standard & Poor's and Fitch.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, representing the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impact of the new impairment model

The application of the impairment requirements of IFRS 9 will not have a material impact on the Company's financial statements. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Company has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows:

	£'000
Loss allowance at 31 December 2017 under IAS 39	723
Additional impairment recognised at 1 January 2018	189
Loss allowance at 1 January 2018 under IFRS 9	<u>912</u>

Note 1. General information and principle accounting policies (continued)

Tangible non current assets

The cost of non current assets is their purchase cost, together with any incidental costs at acquisition.

Non current assets are stated at cost less accumulated depreciation and provision for any impairment. Depreciation and impairment is charged to the profit and loss account. The cost is written off in equal annual instalments based on the estimated useful lives, which are:

Motor Vehicles	3 - 10 years
Land and Buildings	Over the term of the lease
Plant and Machinery, fixtures and fittings	3 - 10 years
Plant and equipment under lease	Over the term of the lease

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

Dividend income

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

Lease commitments

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

Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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.

Issued capital

Ordinary shares are classified as equity.

Dividends paid

Dividends are recognised as deductions from retained earnings in the period in which they are declared.

Client money

The Company holds money on behalf of clients in accordance with the client money rules of the Financial Conduct Authority (FCA). The Company is not beneficially entitled to these amounts.

Note 2. Key accounting judgements and sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

As at 31 December 2018, significant judgements and assumptions were applied to the valuation of the other investments refer to note 13 for further information.

Note 3. Financial risk management

Financial risk factors

The Company's activities expose it to a variety of financial risks, including liquidity, interest rate, currency and credit risk. The overall financial risk management framework, strategy and policies of the Company are determined by the board of its ultimate parent company, TP ICAP plc. It does this through the Board Risk Committee, Group Executive Risk Committee and regional risk committees. The Company does not manage its own financial risk framework.

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Financial assets		
Cash and cash equivalents (Note 17)	66,812	42,997
Debtors (Note 16)	258,462	373,986
Less Prepayments (Note 16)	(987)	(472)
	<u>324,287</u>	<u>416,511</u>

Market risk

Market Risk includes risks arising from movements in foreign exchange, interest rates, market prices and fair value.

Foreign exchange risk

The Company is exposed to both transactional and translational fluctuations in the value of financial instruments due to exchange rate movements. Transactional exposure arises from administrative and other expenses and remittance of funds in currencies other than the Company's functional currency (sterling), principally United States dollars and euros. Translational exposure arises on the conversion of the foreign currency denominated assets and liabilities into sterling.

It is estimated that a 10 cent increase in the exchange rates of the United States dollar and the euro would have an impact of £1,493,000 and an impact of £639,000 (2017: £1,255,000 and £245,000) respectively on the Company's statement of profit and loss and reserves. Other currencies includes Japanese Yen among others, these balances are immaterial as at the year end.

The table below summarises the Company's exposure to concentrations of foreign and domestic currencies as at 31 December 2018:

	USD £'000	EUR £'000	Other £'000	GBP £'000	Total £'000
Assets					
Cash and restricted cash	4,614	2,412	-	59,786	66,812
Debtors less prepayments	29,562	7,998	1,387	218,528	257,475
	<u>34,176</u>	<u>10,410</u>	<u>1,387</u>	<u>278,314</u>	<u>324,287</u>
Liabilities					
Creditors	(13,669)	(2,549)	-	(171,815)	(188,033)
Provisions	-	(101)	-	-	(101)
	<u>(13,669)</u>	<u>(2,650)</u>	<u>-</u>	<u>(171,815)</u>	<u>(188,134)</u>
Net assets	20,507	7,760	1,387	106,499	136,153

Note 3. Financial risk management (continued)

The table below summarises the Company's exposure to concentrations of foreign and domestic currencies as at 31 December 2017:

	USD £'000	EUR £'000	Other £'000	GBP £'000	Total £'000
Assets					
Cash	4,659	2,830	458	35,050	42,997
Debtors less prepayments	30,299	5,718	1,591	335,906	373,514
	<u>34,958</u>	<u>8,548</u>	<u>2,049</u>	<u>370,956</u>	<u>416,511</u>
Liabilities					
Creditors	(16,720)	(2,523)	(7)	(304,472)	(323,722)
Provisions	-	(3,025)	-	(2,768)	(5,793)
	<u>(16,720)</u>	<u>(5,548)</u>	<u>(7)</u>	<u>(307,240)</u>	<u>(329,515)</u>
Net assets	18,238	3,000	2,042	63,716	86,996

Interest rate risk

The Company's interest rate risk arises from Cash and cash equivalents where changes in market rates can have an adverse impact on cash flows and income streams. Interest rate risk is monitored at a Group level by the Board Risk Committee. In terms of cash and other interest bearing investments, the Company must comply with the Enterprise Risk Management Framework which includes policies and procedures for these key risks. Limits are in place to restrict the amount that can be invested at one institution and all investments must be credit rated AA or above and be for less than 18 months, unless approved by the Board Risk Committee.

As at 31 December 2018 there were no instruments with a contracted maturity or re-pricing date in excess of 18 months.

The Company estimates that an increase of 1% in interest rates would have an impact of £530,000 (2017: £366,000) on the Company's statement of profit and loss and reserves.

The Company's interest rate profile as at 31 December 2018 was as follows:

	None £'000	Fixed £'000	Variable £'000	Total £'000
Assets				
Cash and restricted assets	-	33,276	33,536	66,812
Debtors less prepayments	257,475	-	-	257,475
	<u>257,475</u>	<u>33,276</u>	<u>33,536</u>	<u>324,287</u>
Liabilities				
Creditors	(188,033)	-	-	(188,033)
Provisions	(101)	-	-	(101)
	<u>(188,134)</u>	<u>-</u>	<u>-</u>	<u>(188,134)</u>

Note 3. Financial risk management (continued)

The Company's interest rate profile as at 31 December 2017 was as follows:

	None £'000	Fixed £'000	Variable £'000	Total £'000
Assets				
Cash	-	9,171	33,826	42,997
Debtors less prepayments	373,514	-	-	373,514
	<u>373,514</u>	<u>9,171</u>	<u>33,826</u>	<u>416,511</u>
Liabilities				
Creditors	(323,722)	-	-	(323,722)
Provisions	(5,793)	-	-	(5,793)
	<u>(329,515)</u>	<u>-</u>	<u>-</u>	<u>(329,515)</u>

Price risk

The Company is exposed to price risk when one or both counterparties in a matched principal or stock lending transaction fail to fulfill their obligations, through trade mismatches or other errors. Risk is restricted to short term price movements in the underlying stock held.

To the extent that any exist, unmatched transactions are identified and monitored on a daily basis. The Group has policies and procedures in place to reduce the likelihood of such situations but should they arise, the policy is to close out positions immediately or, with Senior Management approval, to carry them with an appropriate hedge in place.

The Company expects that movement in the price of assets and liabilities in matched principal transactions will not have a material effect on the statement of profit and loss of the Company.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values of financial instruments are determined as per the Company's accounting policies.

As at 31 December 2018 there are no assets or liabilities whose carrying value was not a reasonable approximation of its fair value (31 December 2017: none).

Credit risk

Credit risk arises from the potential that a counterparty is unable or unlikely to perform on an obligation resulting in a loss for the Company. When the Company enters into transactions only when executing on behalf of customers, providing customer access to clearing, or provides additional fee-based services to customers, there does exist short-term credit exposure, prior to clearing and settlement, and outstanding receivables that the Company manages. All counterparties are subject to regular review and assessment by regional credit officers and credit limits are set and approved by the appropriate credit committee. Limits are set based on Group parameters determining the maximum loss any one company (within the Group) can suffer as a result of counterparty default. Typically the Company's counterparties are highly credit rated large financial institutions.

The Company has no significant concentrations of credit risk and the maximum exposure is limited to debtors (Note 16) and cash (Note 17).

Note 3. Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and ensuring the availability of funding through an adequate amount of committed credit. This is important to ensure that the Company can meet all present and future financial obligations as they fall due and comply with regulatory requirements. The Board Risk Committee monitors free cash resources ensuring that all companies within the Group maintain sufficient resources to finance their operations and that all investments comply with the Enterprise Risk Management Framework. This dictates borrowing and investing limits based on an institution's credit rating and the nature of financial instruments that can be held.

The Company's exposure to liquidity risk is not significant.

The following tables show the maturity of the Company's liabilities as at 31 December 2018 and 31 December 2017:

	On demand £'000	Less than 3 months £'000	3 months to 1 year £'000	More than 1 year £'000	Total £'000
31 December 2018					
Creditors	(885)	(187,148)	-	-	(188,033)
Provisions	-	-	-	(101)	(101)
	<u>(885)</u>	<u>(187,148)</u>	<u>-</u>	<u>(101)</u>	<u>(188,134)</u>
31 December 2017					
Creditors	(90)	(323,632)	-	-	(323,722)
Provisions	-	-	-	(5,793)	(5,793)
	<u>(90)</u>	<u>(323,632)</u>	<u>-</u>	<u>(5,793)</u>	<u>(329,515)</u>

Capital management

The Company's capital strategy is to maintain an effective and strong capital base which maximises the return to its shareholders, while also maintaining flexibility and ensuring compliance with supervisory regulatory requirements.

The capital structure of the Company consists of debt and equity, including share capital, other reserves and retained earnings.

The Company seeks to ensure that it has sufficient regulatory capital to meet regulatory requirements.

The regulatory capital level is set in accordance with the FCA's capital requirements. The approach is to hold an appropriate surplus over the minimum. TP ICAP plc evaluates at the Company level the risks facing the business, to determine whether its capital is sufficient to cover any expected losses.

The Company complied with its regulatory capital requirements throughout the period.

Note 4. Revenue

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Revenue by geographical market		
Europe	247,061	247,627
Asia	-	361
	<u>247,061</u>	<u>247,988</u>

Tullett Prebon (Europe) Limited
Notes to the financial statements
31 December 2018

Note 4. Revenue (continued)

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Brokerage fees	246,875	247,988
Other income	186	-
	<u>247,061</u>	<u>247,988</u>

Note 5. Administrative costs

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Wages and salaries (Note 6)	110,830	114,186
Other staff costs	1,366	1,071
Social security costs (Note 6)	18,178	18,012
Other pension costs (Note 6)	1,919	1,955
Recharges	48,129	52,218
Market and data telecom expenses	13,235	15,022
Travel and entertainment	3,771	4,316
Cost improvement programme and integration	-	9,415
Depreciation of tangible non current assets (Note 15)	155	240
Operating lease rentals - land and buildings	161	334
Amortisation of intangible assets	-	33
Professional fees	1,287	1,994
Computer supplies	1,693	-
Settlement costs	2,241	1,851
Subscriptions	325	-
Other	291	-
	<u>203,581</u>	<u>220,647</u>

Fees paid to the Company's auditor, Deloitte LLP, and its associates for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of its parent, TP ICAP plc, include these fees on a consolidated basis.

Fees payable for the audit of the financial statements were £91,000 (2017: £88,000)

Note 6. Salary and Payroll costs

Staff costs borne by the Company comprise:

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Wages and salaries	110,830	114,186
Social security costs	18,178	18,012
Other pension costs	1,919	1,955
Total employee benefits expense	<u>130,927</u>	<u>134,153</u>

Tullett Prebon (Europe) Limited
Notes to the financial statements
31 December 2018

Note 6. Salary and Payroll costs (continued)

The monthly average number of persons employed by the Company during the year was 418, comprising of 407 brokers and 11 support staff (31 December 2017: 454, comprising of 441 brokers and 13 support staff).

All staff costs were borne by a fellow subsidiary company of TP ICAP plc and were charged to the Company by way of management charges.

The pension charge for the year was £1,919,000 (2017: £1,955,000) which represents a direct allocation of expenses by Tullett Prebon Group Limited to the Company.

Note 7. Directors Remuneration

Remuneration payable to the Directors in respect of their services to the Company was as follows:

	Year ended 31 Dec 2018	Year ended 31 Dec 2018 Highest Paid Director	Year ended 31 Dec 2017	Year ended 31 Dec 2017 Highest Paid Director
	Total £'000	£'000	Total £'000	£'000
Aggregate emoluments	3,781	736	5,007	1,058
Contributions to defined benefit contribution pension schemes	35	2	16	-
Aggregate loss of office	-	-	551	-
	<u>3,816</u>	<u>738</u>	<u>5,574</u>	<u>1,058</u>

As at 31 December 2018, retirement benefits are accruing to 5 Directors (31 December 2017: 5) under defined contribution schemes sponsored by TP ICAP plc.

Note 8. Other operating income/ (expenses)

This represents exchange differences arising on transactions in foreign currencies during the year and on the translation at the balance sheet date of assets and liabilities denominated in foreign currencies.

Note 9. Interest receivable and similar income

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Bank deposits	<u>139</u>	<u>41</u>

Note 10. Interest payable and similar expenses

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Settlement balances and bank overdrafts	<u>21</u>	<u>54</u>

Note 11. Dividends received and receivable

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Dividend income from 3rd party	55	56
Dividend income from associates	4,113	3,830
	<u>4,168</u>	<u>3,886</u>

Note 12. Income tax

Analysis of charge for the year:

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
<i>Current tax</i>		
UK Corporation tax	8,855	5,579
Deferred tax - origination and reversal of temporary differences	(23)	-
Adjustment in respect of previous years - current tax	(14)	(92)
Adjustment in respect of previous years - deferred tax	(126)	-
Double tax relief	-	(124)
Overseas tax	229	124
Foreign tax - irrecoverable	-	223
Aggregate income tax expense	<u>8,921</u>	<u>5,710</u>
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	<u>(23)</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>49,446</u>	<u>29,803</u>
Tax at the statutory tax rate of 19% (2017: 19.25%)	9,395	5,737
Adjustment in respect of previous years - current tax	(14)	(92)
Adjustments in respect of prior period - deferred tax	(126)	-
Non-taxable dividends	(792)	(748)
Expenses not deductible for tax purposes	486	613
Overseas tax	-	223
Share-based payments	-	(23)
Deferred tax at different rates	<u>(28)</u>	<u>-</u>
Income tax expense	<u>8,921</u>	<u>5,710</u>
Effective tax rate	18.0%	19.2%

In the UK, legislation to reduce the corporation tax rate from 20% to 19% from 1 April 2017 and from 19% to 17% from 1 April 2020 has been enacted. UK deferred tax will therefore unwind at a rate of 19% for periods from 1 April 2017 to 31 March 2019 and at a rate of 17% thereafter.

In accordance with the Capital Requirements Directive IV (CRD IV) and the associated Capital Requirements (Country-by-Country Reporting) Regulations 2013, the Company will publish additional information at the following web address: www.tpicap.com.

Tullett Prebon (Europe) Limited
Notes to the financial statements
31 December 2018

Note 12. Income tax (continued)

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
<i>Amounts charged directly to equity</i>		
Deferred tax assets	320	-
	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Other timing differences	(467)	(196)
Capital allowances	112	-
IFRS 9 adjustment	(12)	-
Deferred tax liability	<u>(367)</u>	<u>(196)</u>
Movements:		
Opening balance	(196)	(187)
Credited to profit or loss	23	-
Charged to equity	(320)	-
Charged to other comprehensive income	-	(9)
Prior year adjustment	126	-
Closing balance	<u>(367)</u>	<u>(196)</u>
	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Provision for income tax	<u>8,375</u>	<u>5,359</u>

Note 13. Non-current assets - Other investments

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Other investments	<u>4,810</u>	<u>3,012</u>
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:		
As at beginning of the year	3,012	2,966
Movement in the fair value of investments	1,798	46
As at end of the year	<u>4,810</u>	<u>3,012</u>

Tullett Prebon (Europe) Limited
Notes to the financial statements
31 December 2018

Note 13. Non-current assets - Other investments (continued)

Company	Business	Country of incorporation	% held
Euroclear Holding SA/NV 1,809 ordinary shares shares of €1 each	Settlement agent	Belgium	<1%
LME Holdings Ltd 25,000 ordinary shares shares of £0.01 each	Dealing exchange	England	<1%

In accordance with FRS 101, other investments are recorded at fair value with changes in fair value reflected in other comprehensive income. The Company's investment in Euroclear Holding SA/NV has been valued using recent traded prices. The Company's investment in LME Holdings Ltd has been valued based on net asset value.

Note 14. Non-current assets - Investment in associate

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Investment in associate	<u>922</u>	<u>922</u>

Associates are measured at cost less impairment. No impairment gains or losses were recognised during the year (2017: nil).

Company	Business	Country of incorporation	% held & type
Tullett Prebon SITICO (China) Limited	Derivatives and money broking	China	33% Subscribed Capital

Registered office address: 9th Floor, Room 1001, DBS Tower, No.1318, Lujiazui Ring Road, Shanghai, 200120, China

Note 15. Non-current assets - property, plant and equipment

	Land and Buildings £'000	Plant and machinery Fixtures and fittings £'000	Motor Vehicles £'000	Total £'000
Cost				
As at 1 January 2018	3,792	3,582	33	7,407
Additions	-	5	-	5
Disposals	-	(172)	-	(172)
Exchange adjustments	<u>43</u>	<u>(829)</u>	<u>-</u>	<u>(786)</u>
As at 31 December 2018	<u>3,835</u>	<u>2,586</u>	<u>33</u>	<u>6,454</u>

Note 15. Non-current assets - property, plant and equipment (continued)

	Land and Buildings £'000	Plant and Machinery Fixtures and fittings £'000	Motor Vehicles £'000	Total £'000
Depreciation				
As at 1 January 2018	(1,491)	(3,332)	(33)	(4,856)
Charge for the year	(58)	(97)	-	(155)
Disposals	-	169	-	169
Exchange adjustments	(16)	832	-	816
As at 31 December 2018	<u>(1,565)</u>	<u>(2,428)</u>	<u>(33)</u>	<u>(4,026)</u>
	Land and Buildings £'000	Plant and machinery Fixtures and fittings £'000	Motor Vehicles £'000	Total £'000
Net book value				
As at 31 December 2018	2,270	158	-	2,428
As at 31 December 2017	2,301	250	-	2,551

Note 16. Current assets - Debtors

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Trade debtors	40,043	34,401
Matched principal trade debtors	183,145	319,129
Less: allowance for expected credit losses/provision for trade receivables	<u>(619)</u>	<u>(723)</u>
	<u>222,569</u>	<u>352,807</u>
Other debtors	226	174
Amounts owed by Group undertakings	32,333	17,270
Prepayments	987	472
Accrued income	2,580	3,263
Less: allowance for expected credit losses	<u>(233)</u>	<u>-</u>
	<u>35,893</u>	<u>21,179</u>
	<u>258,462</u>	<u>373,986</u>

Included in matched principal trade debtors is an amount of £177,075,000 (2017: £319,073,000) 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 £6,069,000 (2017: £56,000), are expected to be settled in the normal course of business.

The majority of net trade debtors which aren't impaired nor past their normal settlement dates are held with high quality credit institutions.

Note 16. Current assets - Debtors (continued)

The Company's exposure to credit risk is discussed within the Strategic Report on page 2 and the financial risk management note on page 21.

As at 31 December the following trade debtors were unsettled:

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Less than 30 days but not yet due	14,707	24,994
Over 30 days but less than 90 days and past due	16,359	5,449
Over 90 days and past due date	8,358	3,235
	<u>39,424</u>	<u>33,678</u>

Note 17. Current assets - Cash and cash equivalents

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Cash at bank and in hand	33,280	33,826
Short term bank deposits	33,276	9,171
Expected credit loss	(172)	-
Restricted cash	428	-
	<u>66,812</u>	<u>42,997</u>

Note 18. Non-current liabilities - Provisions

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Other provisions	<u>101</u>	<u>5,793</u>
	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
As at the beginning of the year	5,793	667
Charged to the statement of profit and loss	(485)	7,295
Utilisation of provision	(5,241)	(2,195)
Exchange adjustment	34	26
As at the end of the year	<u>101</u>	<u>5,793</u>

The other provisions relate to the cost improvement programme and integration costs. The timing and amount of outflows relating to the provision are uncertain.

Note 19. Current liabilities - Creditors: amounts falling due within one year

	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Trade creditors	1,270	1,002
Matched principal trade creditors	183,078	318,677
Amounts owed to group undertakings	885	89
Accrual and deferred income	2,075	3,421
Other taxation and social security	355	450
Other creditors	370	83
	<u>188,033</u>	<u>323,722</u>

Included in matched principal trade creditors above is an amount of £177,069,000 (2017: £318,621,000) in respect of transactions not yet due for settlement. Settlement balances past due date total £6,009,000 (2017: £56,000), are expected to be settled in the normal course of business.

Note 20. Equity - Issued capital

	As at 31 Dec 2018 Shares	As at 31 Dec 2017 Shares	As at 31 Dec 2018 £'000	As at 31 Dec 2017 £'000
Allotted, called-up and fully paid ordinary shares of £1 each	<u>23,000,001</u>	<u>23,000,000</u>	<u>23,000</u>	<u>23,000</u>

The Company has one class of ordinary shares which carry no right to fixed income.

Note 21. Equity - Dividends

Dividends paid during the financial year were as follows:

	Year ended 31 Dec 2018 £'000	Year ended 31 Dec 2017 £'000
Dividend paid of 17.4p per share (2017: 87.0p per share)	4,000	20,000
Dividend paid of 82.6p per share (2017: 93.48p per share)	<u>19,000</u>	<u>21,500</u>
	<u>23,000</u>	<u>41,500</u>

Note 22. Contingent liabilities

The Company is currently under investigation by the FCA in relation to certain trades undertaken between 2008 and 2011, including trades which are risk free, which are alleged to have no commercial rationale or economic purpose, on which brokerage is paid, and trades on which brokerage may have been improperly charged. As part of its investigation, the FCA is considering the extent to which during the relevant period (i) the Company's systems and controls were adequate to manage the risks associated with such trades and (ii) whether certain of the Company's managers were aware of, and/or managed appropriately the risks associated with, the trades. The FCA is also reviewing the circumstances surrounding a failure in 2011 by the Company to discover certain audio files and produce them to the FCA in a timely manner. As the investigation is ongoing, it is not possible to predict its ultimate outcome and accordingly any potential liability and/or financial impact cannot currently be reliably estimated.

In November 2017, the Company was named as a defendant in a Second Amended Class Action Complaint filed in the United States District Court for the Southern District of New York by lead defendant Sonterra Capital Master Fund Ltd. No director or officer of the Company has been named as a defendant. The civil complaint names numerous banks and inter-dealer brokers as defendants, and alleges manipulation and collusion of rates concerning Swiss Franc Libor based derivatives during the period 2001 - 2011, to the alleged detriment of certain institutional investors and individuals. The broker defendants filed a joint motion to dismiss the Second Amended Complaint on 6 April 2018 (the bank defendants filed their own motion to dismiss earlier). The plaintiffs filed their opposition on 4 June 2018, and we filed our reply on 3 July 2018. Numerous letters have been submitted to the Court identifying relevant, subsequently-issued decisions. On 6 December 2018, the Judge requested that the parties provide the Court with unredacted, electronic versions of all documents previously filed under seal. This order suggests that the Judge will either schedule oral argument or issue a decision on the motions to dismiss in the near future. It is not practicable to predict the ultimate outcome of the litigation. As a result it is not possible to provide an estimate of any potential financial impact on the Company.

Note 23. Financial commitments

At 31 December 2018, the Company had the following future minimum lease payments under non-cancellable operating leases:

	2018 Buildings £'000	2018 Other £'000	2017 Buildings £'000	2017 Other £'000
Annual commitment on leases expiring:				
- within one year	104	16	174	5
- between one and five years	128	12	224	-
	<u>232</u>	<u>28</u>	<u>398</u>	<u>5</u>

Note 24. Events after the reporting period

There have been no post balance sheet events from 31 December 2018 up to the date of signing which require separate disclosure.

Note 25. Immediate and ultimate parent company

The Company's immediate parent undertaking is Tullett Prebon Investment Holdings Limited which does not prepare consolidated financial statements.

The Company's ultimate parent is TP ICAP plc, which is incorporated in England and Wales, and heads the largest and smallest group of companies of which the Company is a member. TP ICAP plc prepares consolidated financial statements in accordance with IFRS. Copies of TP ICAP plc financial statements are available from the registered office: Floor 2, 155 Bishopsgate, London, England, EC2M 3TQ.