

Registered number: 2670499

TULLETT PREBON (SECURITIES) LIMITED

Annual Report and Financial Statements

for the year ended 31 December 2017

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TULLETT PREBON (SECURITIES) LIMITED

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TULLETT PREBON (SECURITIES) LIMITED

STRATEGIC REPORT

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

Tullett Prebon (Securities) Limited (the “Company”), incorporated in England and Wales, is a private, wholly-owned subsidiary within the TP ICAP 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 International Capital Market Association, Eurex, ICE Futures Europe, Euronext Paris, Euronext Amsterdam, Nasdaq Commodities and the European Energy Exchange.

It is authorised and regulated by the Financial Conduct Authority.

The Company’s principal activity is that of an intermediary in wholesale financial markets facilitating the trading activities of its clients, in particular commercial and investment banks. The business in this entity covers the following product groups: Rates, Credit, Equities, and Mirexa, plus Coex via the appointed representative arrangement. 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.

2017 represented a mixed year for market activity in OTC financial markets marked by ongoing low levels of volatility. These cyclical factors still affect the interdealer broker industry as well as the presence of structural factors, such as bank regulation, that have had a significant impact on the industry since the financial crisis. Volatility, and the steepness and absolute level of yield curves, are key drivers of activity in the financial markets. Measures of financial market volatility fell compared with 2016, which was affected by the Brexit vote and the US presidential elections. Despite low levels of volatility there were still sporadic increases in trading volumes in many product areas. The well diversified nature of our business meant that there was growth in at least one of our products at any one time.

2017 marked a gradual shift in the interest rate cycle with the US in particular seeing three interest rate rises during the year in March, June and December. The UK also increased interest rates and the ECB announced plans to scale back quantitative easing. When rates did rise, we saw increased activity in our business particularly in our Rates and FX & Money and Markets businesses. Generally a change in the shape of the yield curve is positive for the business but it is perhaps too early to tell whether these interest rate rises will be sustained. 2017 also saw a full year of revenues from Coex via the appointed representative arrangement, against only 6 months in 2016. Mirexa has undergone a period of transition in 2017 with revenues lower than 2016 as a result.

As shown in the Company’s profit and loss account on page 9, the Company’s revenue has increased by 15.7% compared with 2016 to £78,818,000. The Company’s operating loss for the year ended 31 December 2017 was £5,550,000, a decrease of £9,302,000 from the operating profit of £3,752,000 in 2016. The operating profit margin for the year decreased to -7.0% (2016: +5.5%). This was primarily a result of costs incurred as part of the 2017 cost improvement and integration programmes.

The balance sheet on page 11 of the financial statements shows that the Company’s net assets have decreased to £55,640,000 (2016: £60,404,000) primarily as a result of the loss for the year. Cash balances have decreased by £31,005,000 compared to 2016. The net current assets have decreased to £30,882,000 (2016: £60,442,000) and remain sufficient to meet all existing liabilities as they fall due.

The Company’s Geneva branch continued in operation throughout 2017. Agreements and movable assets belonging to the Frankfurt branch were transferred to ICAP Deutschland GmbH and ICAP Ltd. & Co. OHG – two entities within the Group – on 9 November 2017.

The Group manages its European IDB operations on a regional basis. For this reason, the Company’s directors believe that further key performance indicators at a 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 region, which includes the Company, is detailed in the Group’s Annual Report which does not form part of this report.

TULLETT PREBON (SECURITIES) LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

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

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.

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 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.

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 cash 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 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.

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 equity, including share capital, share premium, 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 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.

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

The Company is preparing for the departure of the UK from the EU in March 2019. There are material implications for the Company and the wider financial markets of Brexit and significant differences between the so called 'soft' or 'hard' Brexit outcomes. In the future, the Company will likely manage more client relationships from within the Eurozone,

TULLETT PREBON (SECURITIES) LIMITED

STRATEGIC REPORT

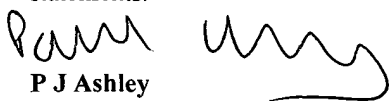
PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

where the Group already has a network of offices in Paris, Frankfurt, Madrid and in other locations. The Group plc has a working group which is designing and implementing the changes required in order to be in a position to provide uninterrupted service to our clients after March 2019. These might encompass, inter alia, changes to our operating model, our corporate structure, our technology provision, our governance and our processes and workflow.

FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain consistent in the forthcoming year.

The directors have evaluated subsequent events through to the date the financial statements were available to be issued. No significant events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.



P J Ashley
Director

12 March 2018

TULLETT PREBON (SECURITIES) LIMITED

DIRECTORS' REPORT

The directors present their Annual Report and audited financial statements for the year ended 31 December 2017.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 3.

RESEARCH AND DEVELOPMENT

During 2017 the Company did not have any significant research and development activities. All research and development activities are carried out in Tullett Prebon Group Limited. This cost is recovered by Tullett Prebon Group Limited by way of a management charge to the Company.

EXISTENCE OF BRANCHES OUTSIDE THE UK

The Company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:

- Switzerland, Geneva
- Germany, Frankfurt

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 annual 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. The Company has made a loss in the year, for the reasons set out in the Strategic Report on page 1. The directors believe that the strong net assets position of the Company, allied to the other supporting factors discussed in note 1, renders the going concern basis appropriate.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks including market risk, credit risk and liquidity risk. Details of financial risks are included in the Strategic Report on pages 1 and 2.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £4,673,000 (2016: profit of £2,719,000) and will be offset against reserves.

The directors did not pay an interim dividend for 2017 (2016: £nil). The directors do not propose a final dividend for 2017 (2016: £nil).

DIRECTORS

The directors, who served throughout the year, and up to the date of signing, except as noted, were as follows:

K F McDermott (appointed 27 April 2017)	G H Martin
P J Ashley	R W Osborne (resigned 29 September 2017)
P S Dunkley	A A Polydor
S C Duckworth	N J J Potter
D M D Goodchild	J Birkholz (resigned 29 January 2018)

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

POLITICAL CONTRIBUTIONS

The Company did not make any political donations during the year (2016: £nil).

TULLETT PREBON (SECURITIES) LIMITED

DIRECTORS' REPORT

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

Details of the number of employees and related costs can be found in note 4 to the financial statements on page 17.

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.

AUDITOR

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

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

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

Pursuant to s386 of the Companies Act 1985, an elective resolution was passed on 17 March 2005 dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2007. Therefore Deloitte LLP have expressed their willingness to continue in office as auditor.

APPROVAL OF REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12 in relation to disclosures in respect of share based payments, presentation of cash flow statement and remuneration of key management personnel. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by Tullett Prebon Investment Holdings Limited, as the immediate parent of the entity.

Approved by the Board and signed on its behalf by



P J Ashley
Director
12 March 2018

TULLETT PREBON (SECURITIES) LIMITED

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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 (Securities) Limited (continued)

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Tullett Prebon (Securities) Limited (the 'Company') which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in shareholder's funds; and
- the related notes 1 to 17.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (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 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 annual 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.

Independent auditor's report to the members of Tullett Prebon (Securities) Limited (continued)

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.

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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 year 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 and 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.



Ben Jackson FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date: 13 March 2018

TULLETT PREBON (SECURITIES) LIMITED**PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
TURNOVER	3	78,818	68,108
Staff costs	4	(35,385)	(35,150)
Administrative expenses		(49,054)	(29,830)
Total administration expenses		(84,439)	(64,980)
Other operating income		71	624
OPERATING (LOSS)/PROFIT		(5,550)	3,752
Finance costs (net)	5	(127)	(56)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	(5,677)	3,696
Tax credit/(charge) on (loss)/profit	8	1,004	(977)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(4,673)	2,719

Loss for the current and profit for the preceding year relate solely to continuing operations.

TULLETT PREBON (SECURITIES) LIMITED

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017 £000	2016 £000
(Loss)/profit for the financial year	<u>(4,673)</u>	<u>2,719</u>
Foreign exchange translation differences on foreign currency net investment in branches	<u>1</u>	<u>(134)</u>
Other comprehensive income/(loss)	<u>1</u>	<u>(134)</u>
Total comprehensive (loss)/income attributable to the equity shareholder of the Company	<u><u>(4,672)</u></u>	<u><u>2,585</u></u>

TULLETT PREBON (SECURITIES) LIMITED**BALANCE SHEET**

as at 31 December 2017

	Note	2017 £000	2016 £000
FIXED ASSETS			
Tangible assets	9	189	450
		<u>189</u>	<u>450</u>
NON-CURRENT ASSETS			
Debtors due in more than one year	10	30,000	-
CURRENT ASSETS			
Debtors due within one year	10	1,089,670	1,140,955
Cash at bank and in hand	11	13,747	44,752
		<u>1,103,417</u>	<u>1,185,707</u>
CREDITORS: amounts falling due within one year	12	<u>(1,072,535)</u>	<u>(1,125,265)</u>
NET CURRENT ASSETS		<u>30,882</u>	<u>60,442</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>61,071</u>	<u>60,892</u>
PROVISIONS FOR LIABILITIES	14	<u>(5,431)</u>	<u>(488)</u>
NET ASSETS		<u><u>55,640</u></u>	<u><u>60,404</u></u>
CAPITAL AND RESERVES			
Called-up share capital	15	11,606	11,606
Share premium account		18,595	18,595
Profit and loss account		<u>25,439</u>	<u>30,203</u>
SHAREHOLDER'S FUNDS		<u><u>55,640</u></u>	<u><u>60,404</u></u>

The financial statements of Tullett Prebon (Securities) Limited (registered number 2670499) were approved by the Board of Directors and authorised for issue on 12 March 2018. They were signed on its behalf by:



P J Ashley
Director

TULLETT PREBON (SECURITIES) LIMITED**STATEMENT OF CHANGES IN SHAREHOLDER'S FUNDS**
for the year ended 31 December 2017

	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total shareholder's funds £000
At 1 January 2016	11,606	6,095	27,497	45,198
Profit for the financial year	-	-	2,719	2,719
Foreign exchange translation differences on foreign currency net investment in branches	-	-	(134)	(134)
Total comprehensive income for the year	-	-	2,585	2,585
Share based payment	-	-	121	121
Issued during the year	-	12,500	-	12,500
At 31 December 2016	11,606	18,595	30,203	60,404
Loss for the financial year	-	-	(4,673)	(4,673)
Foreign exchange translation differences on foreign currency net investment in branches	-	-	1	1
Total comprehensive loss for the year	-	-	(4,672)	(4,672)
Share based payment	-	-	(92)	(92)
At 31 December 2017	11,606	18,595	25,439	55,640

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. ACCOUNTING POLICIES

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

a. General information and basis of accounting

Tullett Prebon (Securities) Limited (the “Company”) is a company incorporated in the United Kingdom under the Companies Act. The nature of the Company’s operations and its principal activity are set out in the Strategic Report on pages 1 to 3.

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 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, TP ICAP plc, which may be obtained at: Tower 42, Level 37, 25 Old Broad Street, London, EC2N 1HQ. Exemptions have been taken in relation to disclosures in respect of share-based payments, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

After consideration of the Company’s business review and the risks and uncertainties 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. Accordingly, the going concern basis continues to be used in preparing these financial statements.

c. 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:

Plant and machinery, fixtures and fittings 3 to 5 years

d. Taxation

Current tax, including UK corporation tax and foreign tax, 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.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

e. Financial assets and financial liabilities

The Company has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU). Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

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

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

(i) Loans and receivables

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

(ii) Derivative financial instruments

The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments relate to simultaneous back-to-back transactions with counterparties. These transactions are classified as financial instruments at fair value through profit and loss (FVTPL) under IAS 39 'Financial Instruments: Recognition and Measurement', and 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.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

(iii) Other financial liabilities and financial assets

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

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

f. Share based payments

The ultimate parent, TP ICAP plc, issues equity-settled share-based payments to certain of the Company's directors and employees. Equity-settled share-based payments are measured at fair value at the date of grant. Market based performance conditions for equity-settled payments are reflected in the initial fair value of the award. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on estimated number of shares that will eventually vest.

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

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

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

g. Cash flow statement

The Company is exempt from reporting a cash flow statement in accordance with FRS 102: Section 1 Scope of this Financial Reporting Standard, as the Company is a wholly-owned subsidiary of TP ICAP plc, which is registered in England and Wales and which prepares Group financial statements which are publicly available.

h. Settlement Balances

The Company engages in Matched Principal brokerage whereby securities are bought from one counterparty and simultaneously sold to 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.

i. 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 Company 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 impairment review.

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

j. Related party transactions

The Company has taken advantage of reporting exemptions in accordance with FRS 102: Section 33 Related Party Disclosures, 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.

k. 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.

l. Dividend policy

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

m. Turnover

Turnover comprises:

Name Passing brokerage, where counterparties to a transaction settle directly with each other. Turnover 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 Company executes transactions on certain regulated exchanges, and then 'gives-up' the trade to the relevant client, or its clearing member. Turnover 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.

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1. ACCOUNTING POLICIES (CONTINUED)

n. Other income

Income is stated net of value added tax and other sales taxes and is recognised over the period to which services relate.

o. Finance income/(costs)

Interest income and interest payable are recognised using the effective interest method.

p. Trade date accounting

Security transactions and related income are recorded on a trade date basis.

q. Employee benefits

Tullett Prebon (Securities) Limited participates in Tullett Prebon Group Limited's defined benefit plan and the net defined benefit cost of the plan is therefore recognised in Tullett Prebon Group Limited, as the Group entity legally responsible for the plan. Tullett Prebon (Securities) Limited recognises a cost equal to their contribution payable for the period in their profit or loss. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

r. Foreign currency

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

s. Client money

Client money to settle transaction bargains is held separately. The net return received on managing client money is included within interest income. The Company holds money, and occasionally financial instruments, on behalf of customers (client monies) in accordance with local regulatory rules. Since the Company is not beneficially entitled to these amounts, they are excluded from the Balance Sheet along with the corresponding liabilities to customers.

t. Restricted funds

Restricted funds comprise cash held with a central counterparty clearing house ('CCP'), or a financial institution providing the Company with access to a CCP, and funds set aside for regulatory purposes, but excluding client money. The funds represent cash for which the Company does not have immediate and direct access or for which regulatory requirements restrict the use of the cash.

2. Key accounting judgments and sources of estimation uncertainty

The Company makes various judgements in applying its accounting policies and various assumptions and estimates, including about the future, when determining the carrying value of certain assets and liabilities.

As at 31 December 2017, significant judgements and assumptions were applied in determining the fair value of derivatives. For further information, refer to note 13.

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

3. Turnover and revenue

An analysis of the Company's turnover by class of business is set out below.

	2017	2016
	£000	£000
Turnover:		
Europe	78,818	68,108
	<u>78,818</u>	<u>68,108</u>

An analysis of the Company's revenue is as follows:

	2017	2016
	£000	£000
Brokerage fees	78,818	68,108
Turnover	<u>78,818</u>	<u>68,108</u>
Interest	9	71
Other operating income	71	624
Total revenue	<u>78,898</u>	<u>68,803</u>

4. Staff numbers and costs

Their aggregate remuneration comprised:

	2017	2016
	£000	£000
Wages and salaries	31,111	30,857
Social security costs	4,075	3,798
Other pension costs	199	495
	<u>35,385</u>	<u>35,150</u>

The Company's operations are carried out by employees of the Company's branches and group service companies. 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 145, comprising of 140 brokers and 5 support staff (2016: 153, comprising of 147 brokers and 6 support staff).

Defined contribution and defined benefit 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 plan (which is closed to new members and future accrual), is disclosed in accordance with FRS 102 Section 28: Employee Benefits, in the financial statements of Tullett Prebon Group Limited.

The pension charge for the year was £199,000 (2016: £495,000) which represents a direct allocation of expenses by Tullett Prebon Group Limited to the Company.

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

4. Staff numbers and costs (continued)

Annual awards are made under the Group's Bonus Plan for Senior Managers that commenced in 2015.

Under this Plan, employees identified as Senior Managers have 20% of their annual discretionary bonus awarded in deferred shares. These awards will be settled with TP ICAP plc shares and are subject to the completion of service conditions and the fulfilment of other conduct requirements. The number of shares in respect of a bonus year is determined after the close period for that year at the then market price, and vest over three years from the grant. The fair value of the shares equates to the monetary value of the awards at grant date and includes the value of expected dividends that will accrue to the beneficiaries.

As part of the introduction of the Deferred Bonus Plan in 2015, a Special Award was granted to eligible employees. The Special Award will vest in May 2018.

Awards will be settled by the Tullett Prebon plc Employee Benefit Trust 2007 from shares purchased by it in the open market.

Share based payment expense

The Company recognised a share based payment credit of £92,000 (2016: charge of £121,000) reflecting the cost attributable to its employees. Further disclosures are included in the Group's Consolidated Financial Statements.

5. Finance costs (net)

	2017 £000	2016 £000
Interest receivable and similar income	9	71
Interest payable and similar charges	(136)	(127)
	<u>(127)</u>	<u>(56)</u>

Interest receivable and similar income

	2017 £000	2016 £000
Bank deposits	9	71
	<u>9</u>	<u>71</u>

Interest payable and similar charges

	2017 £000	2016 £000
Settlement balances and bank overdrafts	(136)	(127)
	<u>(136)</u>	<u>(127)</u>

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

6. (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets (note 9)	199	200
Cost improvement programme and integration	6,725	2,131
Auditor's remuneration		
- for audit of the Company's statutory accounts	92	90
- audit related assurance services	18	85
	<u> </u>	<u> </u>

The cost improvement programme and integration reflect the cost of actions taken to reduce operating costs, including redundancies and the write down of related balance sheet items.

A material portion 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.

7. Directors' remuneration and transactions

	2017 £000	2016 £000
<i>Directors' remuneration</i>		
Remuneration (including pension contributions)	1,581	3,673
Company contributions to pension schemes	5	10
Termination payments	174	-
	<u>1,760</u>	<u>3,683</u>
	Number	Number
The number of directors who:		
Are members of a defined benefit pension scheme	-	7
	<u> </u>	<u> </u>
	2017 £000	2016 £000
Remuneration of the highest paid director:		
Remuneration (excluding pension contributions)	<u>334</u>	<u>1,304</u>

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

8. Tax (credit)/charge on (loss)/profit on ordinary activities

The tax (credit)/charge comprises:

	2017	2016
	£000	£000
Current tax (credit)/charge on (loss)/profit on ordinary activities		
UK corporation tax (credit)/charge on (loss)/profit for the year	(943)	909
Tax adjustment for previous period	(65)	(24)
Foreign tax	4	92
Total tax on (loss)/profit on ordinary activities	(1,004)	977

Factors affecting the current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is more than the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%).

The difference between the total tax credit/charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/loss before tax is as follows:

	2017	2016
	£000	£000
(Loss)/profit on ordinary activities before tax	(5,677)	3,696
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax of 19.25% (2016: 20.00%) in the UK	(1,093)	739
Effects of:		
- Expenses not deductible for tax purposes	150	150
- Foreign tax	4	92
- Adjustment to tax in respect of previous periods	(65)	(24)
- Other	-	20
Total tax (credit)/charge for period	(1,004)	977

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

9. Tangible fixed assets

	Plant and Machinery, Fixtures and Fittings £000
Cost or valuation	
At 1 January 2017	1,592
Additions	2
Disposals	(52)
Exchange adjustments	(8)
	<hr/>
At 31 December 2017	1,534
	<hr/>
Depreciation	
At 1 January 2017	(1,142)
Charge for the year	(199)
Exchange adjustments	(4)
	<hr/>
At 31 December 2017	(1,345)
	<hr/>
Net book value	
At 31 December 2017	189
	<hr/>
At 31 December 2016	450
	<hr/>

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

10. Debtors

	2017 £000	2016 £000
Amounts falling due in more than one year:		
Financial assets at amortised cost	30,000	-
Amounts falling due within one year:		
Trade debtors	10,434	9,387
Settlement balances	1,054,746	1,027,347
Derivative financial assets at FVTPL (see note 13)	12,146	92,269
Amounts owed by Group undertakings	9,624	9,393
Corporation tax	918	-
Other debtors	433	114
Prepayments and accrued income	741	1,796
Restricted funds (see note 11)	628	649
	<u>1,089,670</u>	<u>1,140,955</u>

Financial assets at amortised cost represent government gilts with a maturity date in July 2019. The purchase of the gilts is the primary driver of the year on year reduction in cash at bank and in hand.

Included in settlement balances above is an amount of £979,274,000 (2016: £917,803,000) 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 £75,472,000 (2016: £109,544,000), and are expected to be received in the normal course of business.

Financial assets at FVTPL arise on simultaneous back-to-back derivative transactions with counterparties. The above analysis reflects only the asset side of such transactions. Corresponding liability amounts are shown in note 12 'Creditors: amounts falling due within one year'.

The majority of net trade debtors which are neither impaired nor past their normal settlement dates are held with high quality credit institutions.

Maximum exposure to credit risk is limited to debtors and cash (note 11), 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.

As at 31 December 2017 the following trade debtors were unsettled, but had not been impaired:

	<u>As at</u> <u>31/12/2017</u> £000	<u>As at</u> <u>31/12/2016</u> £000
Less than 30 days, and not yet due	5,309	4,420
Less than 90 days, and past due date	2,453	3,295
Over 90 days, and past due date	2,672	1,672
	<u>10,434</u>	<u>9,387</u>

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

11. Cash at bank and in hand

Of the £13,747,000 (2016: £44,752,000) cash at bank, £1,606,000 (2016: £26,606,000) is maintained on deposit to secure an offsettable overdraft facility. At 31 December 2017 client money balances representing amounts owed to customers and held in a segregated bank account was £1,070,000 (2016: £1,043,000). Of this total, £628,000 (2016: £649,000) was reclassified to restricted funds. Restricted funds represent cash for which the Company does not have immediate and direct access or for which regulatory requirements restrict the use of the cash. The remaining balance, which is the portion on which the respective clients are known was reclassified to Other creditors (2016: Other creditors and Amounts owed by Group undertakings).

The significant decrease in cash balances year on year is substantially due to the purchase of government gilts with a maturity date in July 2019.

12. Creditors

	2017 £000	2016 £000
Amounts falling due within one year:		
Trade creditors	255	151
Settlement balances	1,054,714	1,027,134
Financial liabilities at FVTPL (see note 13)	12,146	92,269
Amounts owed to group undertakings	4,125	666
Corporation tax	-	246
Other taxation and social security	234	253
Accruals and deferred income	1,061	1,436
Other creditors (see note 11)	-	3,110
	<u>1,072,535</u>	<u>1,125,265</u>

Included in settlement balances above is an amount of £979,245,000 (2016: £917,759,000) in respect of transactions not yet due for settlement. Settlement balances past due date total £75,469,000 (2016: £109,375,000), and are expected to be paid in the normal course of business.

13. Financial instruments at fair value through profit and loss

(i) The table below reflects the contractual maturities for the offsetting derivatives:

	Due within one year	
	2017 £000	2016 £000
Financial instruments at FVTPL		
Assets		
Foreign currency contracts (options)	12,146	92,269
	<u>12,146</u>	<u>92,269</u>
Liabilities		
Foreign currency contracts (options)	12,146	92,269
	<u>12,146</u>	<u>92,269</u>

Financial instruments at fair value through the income statement represent simultaneous back-to-back derivative transactions with counterparties and are reported as separate financial assets and liabilities in the balance sheet. The transactions are subject to ISDA (International Swaps and Derivative Association) Master Netting Agreements which provide a legally enforceable right of offset on the occurrence of a specified event of default, or other events not expected to happen in the normal course of business, but are otherwise not enforceable.

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

13. Financial instruments at fair value through profit and loss (continued)

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2017 Level 1 £000	2017 Level 2 £000	2017 Level 3 £000	2017 Total £000
Assets				
Financial instruments at FVTPL	-	12,146	-	12,146
	-	12,146	-	12,146
Liabilities				
Financial instruments at FVTPL	-	12,146	-	12,146
	-	12,146	-	12,146
	2016 Level 1 £000	2016 Level 2 £000	2016 Level 3 £000	2016 Total £000
Assets				
Financial instruments at FVTPL	-	92,269	-	92,269
	-	92,269	-	92,269
Liabilities				
Financial instruments at FVTPL	-	92,269	-	92,269
	-	92,269	-	92,269

In deriving the fair value of financial instruments at FVTPL valuation models were used which incorporated observable market data.

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

14. Provisions for liabilities

	Other provisions £000
At 1 January 2017	488
Charged to profit and loss account	5,453
Utilisation of provision	(510)
Exchange adjustments	-
At 31 December 2017	<u>5,431</u>

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

15. Called-up share capital and reserves

	2017 £000	2016 £000
Allotted, called-up and fully-paid		
11,606,001 ordinary shares of £1 each (2016:11,606,001)	<u>11,606</u>	<u>11,606</u>

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

On 3 February 2016 the Company issued one ordinary share to Tullett Prebon Investment Holdings Limited at par value of £1 each and share premium of £12,499,999.

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses. The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

16. Guarantees and contingent liabilities

On 13 December 1994, the Company granted a floating charge in favour of the Morgan Guaranty Trust Company of New York over certain collateral, including but not limited to, cash and securities held in accounts opened by Morgan Guaranty Brussels in connection with the Euroclear system.

On 8 August 1996, the Company granted a floating charge in favour of the Morgan Guaranty Trust Company of New York over all assets held in certain accounts opened by Morgan Guaranty Brussels, supplementary to a Collateral Agreement governing participation in the Euroclear system.

On 2 September 1999, the Company granted a floating charge in favour of the Bank of New York (BNY) over all present and future property and fixtures of the Company, under the terms of a Securities Clearing Agreement, including all amounts held by BNY in connection with the account operated thereunder.

On 24 January 2005, the Company granted a fixed and floating charge in favour of Fortis Bank Global Clearing NV (FBGC) over all assets held or controlled by FBGC, either for the account of the Company or as custodian, under a Terms of Business Agreement.

TULLETT PREBON (SECURITIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

17. Controlling party

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

The Company's ultimate parent and controlling party is TP ICAP plc.

The parent undertaking of the smallest and largest group which includes the Company for which group financial statements are prepared is TP ICAP plc.

Copies of TP ICAP plc financial statements are available from the registered office: Tower 42, Level 37, 25 Old Broad Street, London, EC2N 1HQ