

# **TULLETT PREBON PLC**

## **INTERIM MANAGEMENT REPORT - for the six months ended 30 June 2008**

### **Highlights**

Tullett Prebon plc today announced its interim results for the six months ended 30 June 2008. The highlights are:

- Revenue £468.3m (2007: £371.6m) – growth of 25% at constant exchange rates
- Operating profit £84.2m (2007: £64.8m) – growth of 30%
- Adjusted\* Profit before tax £73.9m (2007: £58.7m)
- Adjusted\*\* EPS 22.4p (2007: 17.2p)

\* excluding non cash gains and losses in net finance income/(expense)

\*\* excluding non cash gains and losses in net finance income/(expense), net of tax, and prior year tax items

A reconciliation of adjusted PBT and adjusted Earnings to the reported figures is shown in the Business Review.

### **Commenting on the results, Keith Hamill, Chairman of Tullett Prebon plc, said:**

“Our results for the first half of 2008 reflect the benefit of the actions we have taken over the last 18 months in pursuit of our objectives of accelerating the rate of revenue growth and developing our electronic broking capabilities, as well as the favourable market conditions.

Revenue for the first half of £468.3m (2007: £371.6m) was up 25% at constant exchange rates. Operating profit has increased by 30% to £84.2m (2007: £64.8m) with the operating margin increasing to 18.0% (2007: 17.4%) despite the increase in the investment in electronic broking. Adjusted earnings per share for the first half were 22.4p (2007: 17.2p).”

### **Terry Smith, Chief Executive, added:**

“The outlook for Tullett Prebon is positive. The inter-dealer broker market is growing and we are well diversified across both products and geographies. There are considerable opportunities for us, however, to continue to broaden our product and geographic coverage and to deepen our liquidity pools through both hiring brokers and acquisitions.

Our customers are operating in extremely challenging market conditions, and our industry growth rate is expected to be lower in the second half than experienced in the last 12 months. Nevertheless, as a result of the actions we have taken, we continue to expect to deliver a good outcome for the year.”

### **Enquiries:**

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Further information on the Company and its activities is available on the Company’s website: [www.tullettprebon.com](http://www.tullettprebon.com).

## **Chairman's statement**

Our results for the first half of 2008 reflect the benefit of the actions we have taken over the last 18 months in pursuit of our objectives of accelerating the rate of revenue growth and developing our electronic broking capabilities, as well as the favourable market conditions.

We continue to seek to enhance and broaden our product coverage and deepen liquidity pools, through a combination of new broker hires, acquisitions and product development. Our focus for these investments is in those product areas which we believe have the best potential for future revenue growth. In March we completed the acquisition of Primex Energy Brokers, a leading UK based broker in a wide range of oil products, which complements and enhances our existing Energy business. The majority of the brokers we contracted last year have now joined the business, and our broker headcount stands at 1,706 at the end of June, 7.5% higher than a year ago.

Revenue for the first half of £468.3m (2007: £371.6m) was up 25% at constant exchange rates. Operating profit has increased by 30% to £84.2m (2007: £64.8m) with the operating margin increasing to 18.0% (2007: 17.4%) despite the increase in the investment in electronic broking.

Financing costs were higher in the first half of 2008 compared to a year ago reflecting the change in the Company's capital structure following the £301.5m return of capital to shareholders in March last year. Nevertheless, adjusted profit before tax was up 26% to £73.9m (2007: £58.7m). Adjusted earnings per share for the first half were 22.4p (2007: 17.2p). An interim dividend of 4.75p per share (2007: 4p per share) will be paid on 20 November 2008 to shareholders on the register at 31 October 2008.

Our customers are operating in extremely challenging market conditions, and our industry growth rate is expected to be lower in the second half than experienced in the last 12 months. Nevertheless, as a result of the actions we have taken, we continue to expect to deliver a good outcome for the year.

Keith Hamill  
Chairman

5 August 2008

## Business review

The inter-dealer broker business thrives on volatility in financial markets, and the higher levels of volatility that we experienced from June last year and throughout the second half of 2007 continued into the first half of 2008.

The investments we have made to accelerate the rate of revenue growth over the last 18 months have allowed us to fully benefit from these favourable market conditions. Revenue growth in the first half of 2008 was 25% at constant exchange rates. Overall activity levels, measured as voice broking revenue per working day, were slightly lower in the second quarter than in the first quarter of this year, but revenue in the second quarter was still 22% higher than in the same quarter a year ago.

We contracted 125 new brokers in 2007, with a particular focus on building our presence in the faster growing sectors of the market, and most of these brokers have now joined the business. The restructuring and extension of our joint venture in Tokyo, which was completed at the end of last year, has broadened our product coverage and provides a strong platform for further development of our activities in both Tokyo and across the region. The acquisition of Primex in March this year adds extensive oil products broking capability which complements and enhances our existing Energy business which was previously focused primarily on gas and power products.

We have continued to invest in the development of our electronic broking capabilities, supporting both pure and hybrid models. Our main pure electronic broking platform serving the USD repo market has become well established, with a market share by volume of 30-40%. We operate a hybrid model in FX options, with the electronic broking platform supporting voice broking activity in related products, and this has continued to gain customer acceptance and volume across all three regions. We have continued the development of new platforms and expect to launch these in the second half. The gross investment in the development and management of electronic broking in the first half was £11.5m (2007: £6.7m).

Our key financial and performance indicators for the first half of 2008 compared with the first half of 2007 are shown below.

	Six months ended		Change
	30 June 2008	30 June 2007	
Revenue	£468.3m	£371.6m	+25%*
Operating margin	18.0%	17.4%	+0.6% points
Broker headcount (period end)	1,706	1,587	+7.5%
Average revenue per broker (£'000)	272	228	+18%*
Broker employment costs to broker revenue	57.5%	56.4%	+1.1% points
Broking revenue per support staff head (£'000)	687	566	+20%*

\* expressed at constant exchange rates

## Revenue

The tables below analyse revenue for the first half of 2008 compared with the equivalent period in 2007. A significant proportion of the group's activities is conducted outside the UK and the reported results are therefore impacted by the movement in the foreign exchange rates used to translate the results of overseas operations. Although the impact of movements in exchange rates compared with those used for the first half of 2007 is relatively small, in order to give a more meaningful analysis of performance, revenue is presented below using exchange rates consistent with those used in 2008. The commentary refers to changes at constant exchange rates.

<b>Revenue by product group</b>	<b>Six months ended 30 June 2008 £m</b>	<b>Six months ended 30 June 2007 £m</b>	<b>Change</b>
Treasury Products	127.8	98.7	+29%
Interest Rate Derivatives	114.1	91.0	+25%
Fixed Income	128.4	109.9	+17%
Equities	48.7	36.6	+33%
Energy	40.7	32.4	+26%
Information Sales	8.6	7.1	+21%
At constant exchange rates	468.3	375.7	+25%
Translation	-	(4.1)	
Reported	468.3	371.6	+26%

All the product markets in which we operate have benefited from the higher levels of volatility compared to the first half last year. In Treasury Products we have continued to develop our strong position in FX across all three regions, and have seen particularly good growth in non-deliverable forwards and in emerging market currencies generally. Cash and deposit markets have also seen strong volumes. Interest Rate Derivatives markets have been busy, particularly at the short end, reflecting the volatile interest rate environment. Investor flight to quality has driven volumes in Fixed Income, particularly benefiting our strong franchise in European government bonds. Increasing use of equity derivatives and our developing position in this market has made Equities the fastest growing product group for us in the first half. Energy volumes have been strong and we have benefited both from our acquisition of Primex and the introduction and growth of new products. Our Information Sales business has benefited from increasing customer demand for both real time and end of day data and the expansion of the customer base in emerging markets.

<b>Revenue by region</b>	<b>Six months ended 30 June 2008 £m</b>	<b>Six months ended 30 June 2007 £m</b>	<b>Change</b>
Europe	247.4	186.4	+33%
North America	165.3	151.1	+9%
Asia Pacific	55.6	38.2	+46%
At constant exchange rates	468.3	375.7	+25%
Translation	-	(4.1)	
Reported	468.3	371.6	+26%

Revenues in Europe increased by 33%. Broker headcount in Europe has increased by over 10% since June 2007 to 762 at the period end, reflecting the new brokers we have hired and the 35 brokers added through the acquisition of Primex. Average revenue per broker has increased by 24%. All product groups in Europe have seen strong revenue growth. The business continues to benefit from the focus on volatility products as an asset class and from our leading position in the FX markets and in European government bonds. One of the objectives of our broker recruitment last year was to establish a significant presence in credit and credit default swaps (“CDS”) in London. Fifteen credit and CDS brokers started with the business during the first half and have quickly established themselves. Our Energy activities in Europe have been boosted by the acquisition of Primex and the growth in a number of newly introduced products including soft commodities, emissions, and nuclear fuel derivatives. Although London continues to be the dominant centre for the region, our operations in the other financial centres in Europe have grown faster than the region as a whole, reflecting the benefit of the focus brought by the new managing director for those centres.

Revenues in North America increased by 9%. Broker headcount in North America, at 568 at the period end, is 5% lower than at June last year. We have continued to change the mix of the headcount in the business during the first half, with increases in Equities and Energy offset by reductions in the more mature parts of the Fixed Income market where the rate of revenue growth is more modest. Average revenue per broker is up 16% on last year. The fastest growing product groups in North America were Treasury Products and Interest Rate Derivatives. In the former we have seen a strong performance in forward FX particularly in emerging market currencies including non-deliverable forwards in Latin American and Asian currencies, and our Fed funds desk was also particularly active. In the latter we benefited from our leading position in the USD swap market which saw high volumes in both short and medium term products.

Revenues in Asia increased by 46%. Broker headcount in Asia was 376 at the period end, an increase of 26% since June last year. Average revenue per broker has increased by 16%. The three largest financial centres in Asia are Singapore, Tokyo and Hong Kong, and these offices account for over 80% of our revenue in the region. The restructured joint venture in Tokyo has broadened our product coverage with additional market leading desks which have extended our presence in the local interest rate swap market beyond Yen products and added forward Yen FX products to our portfolio. Our equity derivatives activities based in Hong Kong have continued to grow strongly. We have grown revenue in Treasury Products through our increased coverage of non-deliverable forwards in several Asian currencies, based from Hong Kong and Singapore, and from our regional FX Options business which has benefited from the introduction of the electronic broking platform.

### **Operating Profit and Margin**

In order to present the most meaningful analysis of operating profit and operating margin the tables below show profits and margins before the group’s investment in the development and management of our electronic broking capability, which now impacts all three regions. The notes to the consolidated financial statements show the operating profit by region after including the investment in electronic broking.

	Six months ended 30 June 2008 £m	Six months ended 30 June 2007 £m	Change
<b>Operating Profit</b>			
Europe	55.1	40.4	+36%
North America	30.6	27.0	+13%
Asia Pacific	10.0	4.1	+144%
Before investment in electronic broking	95.7	71.5	+34%
Investment in electronic broking	(11.5)	(6.7)	+72%
Reported	84.2	64.8	+30%

	Six months ended 30 June 2008	Six months ended 30 June 2007
<b>Operating Margin</b>		
Europe	22.3%	21.9%
North America	18.5%	17.8%
Asia Pacific	18.0%	11.5%
Before investment in electronic broking	20.4%	19.2%
Investment in electronic broking	(2.4%)	(1.8%)
Reported	18.0%	17.4%

Operating profit, before taking into account the investment in the development and management of our electronic broking capability, is 34% higher than in the first half of 2007. The operating margin on this basis is 20.4%, 1.2% points higher than in 2007. This increase reflects the operating leverage in the voice broking business, with margins benefiting from higher revenue without a corresponding increase in support costs.

All three regions have increased operating margins. Operating margins in Europe have increased despite an increase in the broker compensation to revenue percentage, as the rate of increase in support costs is much lower than the growth in revenue. In North America, support costs are lower in absolute terms than a year ago and contribution margin before support costs is higher. However, the increase in the overall margin in North America is held back by the recognition in the first half this year of one off costs associated with office moves. Although support costs in Asia have increased, particularly reflecting the change in the joint venture in Tokyo and rising premises costs, operating margins have benefited from the significant increase in the scale of the region.

Taking into account the investment in the development and management of our electronic broking capability, our reported margin in the first half was 18.0%, up 0.6% points from 2007.

## Adjusted Profit before Tax and Earnings

	Six months ended 30 June 2008 £m	Six months ended 30 June 2007 £m
Revenue	468.3	371.6
Operating profit	84.2	64.8
Cash finance income/(expense)	(10.3)	(6.1)
Adjusted Profit before tax *	73.9	58.7
Tax	(26.6)	(22.3)
Associates	0.7	0.2
Minority interests	(0.5)	(0.3)
Adjusted Earnings **	47.5	36.3
Weighted average number of shares	212.3m	211.6m
Adjusted Earnings per share	22.4p	17.2p

	Six months ended 30 June 2008 £m	Six months ended 30 June 2007 £m
* Adjusted PBT reconciles to reported PBT as follows:		
Adjusted Profit before tax	73.9	58.7
Non cash finance income/(expense)	0.6	(1.6)
Reported Profit before tax	74.5	57.1

	Six months ended 30 June 2008 £m	Six months ended 30 June 2007 £m
** Adjusted Earnings reconciles to reported Earnings as follows:		
Adjusted Earnings	47.5	36.3
Non cash finance income/(expense)	0.6	(1.6)
Deferred tax on non cash finance income/(expense)	(0.2)	(0.1)
Prior year tax items	-	(0.5)
Reported Earnings	47.9	34.1

The calculation of Adjusted EPS is also set out in note 8 to the consolidated financial statements.

## Cash Finance Income/(Expense)

The increase in cash finance income/(expense) reflects the impact for the full six month period this year of interest payable and fee amortisation on the facilities drawn down in March 2007 to finance the return of capital, and the recognition in the first half of 2007 of a £1.1m one-off interest receipt on reclaimed tax.

## Taxation

The effective rate of tax on adjusted PBT is 36.0% (2006: 38.0%). The reduction in the effective rate compared with 2007 results primarily from the full benefit of a restructuring of intra-group financing arrangements, which was implemented during 2007.

## Cash Flow

	Six months ended 30 June 2008 £m	Six months ended 30 June 2007 £m
Operating profit	84.2	64.8
Share option plan charges	2.1	2.1
Depreciation and amortisation	3.9	3.7
EBITDA	90.2	70.6
Capital expenditure (net of NBV of disposals)	(7.7)	(2.7)
Working capital	(18.8)	(25.8)
Operating cash flow	63.7	42.1
Interest	(5.9)	2.9
Taxation	(16.5)	(17.0)
Pension funding	(1.8)	(1.4)
Share option cash flows	-	0.4
Transaction costs	-	(1.0)
Dividends paid	(17.0)	(12.7)
Dividends paid to minorities/received from associates	0.4	(0.4)
Acquisitions/investments	(4.1)	(29.7)
Net cash flow before debt repayments/draw downs	18.8	(16.8)

Operating cash flow for the first half of 2008 of £63.7m was 51% higher than that for the first half of 2007. Consistent with the normal seasonal pattern of working capital movements, operating cash flow for the first half is lower than operating profit due to the increase in trade receivables from their relatively low levels at the year end. The net working capital outflow of £18.8m also reflects the £13.2m increase in the broker sign-on prepayment balance. Capital expenditure is significantly higher than in the prior period reflecting the spend associated with London office moves. The interest cash outflow in the first half of 2008 reflects interest paid on the bank debt, partly offset by interest received on cash balances. In 2007 the first interest payment on the bank debt was made in the second half. The dividend payment of £17.0m reflects the 8p per share final dividend for 2007 paid in May. Acquisition and investment expenditure in 2008 includes deferred consideration relating to the acquisition of Chapdelaine and the cash consideration for Primex.

## Movement in cash and debt

	Cash £m	Debt £m	Net £m
At 31 December 2007	290.5	(450.5)	(160.0)
Net cash flow before debt repayments/draw downs	18.8	-	18.8
Debt repayments/draw downs	(29.9)	29.9	-
Cash acquired with Primex	1.6	-	1.6
Movements in fair values/amortisation of costs	-	0.2	0.2
Effect of movements in exchange rates	0.5	(0.2)	0.3
At 30 June 2008	281.5	(420.6)	(139.1)

Net debt has reduced from £160.0m at 31 December 2007 to £139.1m at 30 June 2008 primarily due to the net cash inflow before debt repayments and draw downs. Gross debt has reduced by £29.9m primarily due to the scheduled repayment of bank debt in January.

## **Future Developments and Outlook**

The outlook for Tullett Prebon is positive. The inter-dealer broker market is growing and we are well diversified across both products and geographies. There are considerable opportunities for us, however, to continue to broaden our product and geographic coverage and to deepen our liquidity pools through both hiring brokers and acquisitions.

Our customers are operating in extremely challenging market conditions, and our industry growth rate is expected to be lower in the second half than experienced in the last 12 months. Nevertheless, as a result of the actions we have taken, we continue to expect to deliver a good outcome for the year.

Terry Smith  
Chief Executive

5 August 2008

## consolidated income statement

for the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 (unaudited) £m	Six months ended 30 June 2007 (unaudited) £m	Year ended 31 December 2007 £m
<b>Revenue</b>	5	468.3	371.6	753.8
Other operating income		3.4	2.9	14.2
Administrative expenses		(387.5)	(309.7)	(636.2)
<b>Operating profit</b>	5	84.2	64.8	131.8
Finance income	6	9.9	10.1	21.1
Finance costs	7	(19.6)	(17.8)	(39.1)
<b>Profit before tax</b>		74.5	57.1	113.8
Taxation		(26.8)	(22.9)	(40.3)
<b>Profit of consolidated companies</b>		47.7	34.2	73.5
Share of results of associates		0.7	0.2	0.8
<b>Profit for the period</b>		48.4	34.4	74.3
<b>Attributable to:</b>				
Equity holders of the parent		47.9	34.1	73.4
Minority interests		0.5	0.3	0.9
		48.4	34.4	74.3
<b>Earnings per share</b>				
Adjusted basic	8	22.4p	17.2p	33.5p
Basic	8	22.6p	16.1p	34.7p
Diluted	8	22.4p	15.9p	34.2p

**consolidated statement of recognised income and expense**  
*for the six months ended 30 June 2008*

	<b>Six months ended 30 June 2008 (unaudited) £m</b>	<b>Six months ended 30 June 2007 (unaudited) £m</b>	<b>Year ended 31 December 2007  £m</b>
Revaluation of available for sale assets	0.2	0.1	0.1
Gain on net investment hedge	-	1.4	1.0
Effect of changes in exchange rates on translation of foreign operations	0.3	(2.1)	0.2
Actuarial (loss)/gain on defined benefit pension schemes	(13.6)	19.3	19.0
Taxation on items taken directly to equity	2.7	(4.3)	(3.7)
<b>Net (expense)/income recognised directly in equity</b>	<b>(10.4)</b>	<b>14.4</b>	<b>16.6</b>
Profit for the period	48.4	34.4	74.3
<b>Total recognised income and expense for the period</b>	<b>38.0</b>	<b>48.8</b>	<b>90.9</b>
Attributable to:			
Equity holders of the parent	37.5	48.5	90.0
Minority interests	0.5	0.3	0.9
	<b>38.0</b>	<b>48.8</b>	<b>90.9</b>

## consolidated balance sheet

as at 30 June 2008

	30 June 2008 (unaudited) £m	30 June 2007 (unaudited) £m	31 December 2007 £m
<b>Non-current assets</b>			
Goodwill	370.3	356.3	355.9
Other intangible assets	4.1	2.3	2.8
Property, plant and equipment	21.8	17.0	18.7
Interest in associates	2.7	2.8	2.6
Other financial assets	2.9	2.7	2.4
Deferred tax assets	13.3	15.3	15.0
Derivative financial instruments	9.4	9.0	7.2
	<u>424.5</u>	<u>405.4</u>	<u>404.6</u>
<b>Current assets</b>			
Trade and other receivables	16,756.2	25,147.0	6,923.4
Other financial assets	29.0	27.8	28.3
Cash and cash equivalents	252.5	216.5	262.2
Derivative financial instruments	-	3.1	-
	<u>17,037.7</u>	<u>25,394.4</u>	<u>7,213.9</u>
<b>Total assets</b>	<u>17,462.2</u>	<u>25,799.8</u>	<u>7,618.5</u>
<b>Current liabilities</b>			
Trade and other payables	(16,797.4)	(25,179.9)	(6,972.7)
Interest bearing loans and borrowings	(30.4)	(31.3)	(30.6)
Current tax liabilities	(31.2)	(24.9)	(26.5)
	<u>(16,859.0)</u>	<u>(25,236.1)</u>	<u>(7,029.8)</u>
<b>Net current assets</b>	178.7	158.3	184.1
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	(390.2)	(418.5)	(419.9)
Retirement benefit obligations	(14.8)	(5.1)	(3.9)
Deferred tax liabilities	(0.5)	(1.1)	(0.3)
Long-term provisions	(13.7)	(10.9)	(14.7)
Other long-term payables	(17.9)	(14.6)	(17.5)
	<u>(437.1)</u>	<u>(450.2)</u>	<u>(456.3)</u>
<b>Total liabilities</b>	<u>(17,296.1)</u>	<u>(25,686.3)</u>	<u>(7,486.1)</u>
<b>Net assets</b>	<u>166.1</u>	<u>113.5</u>	<u>132.4</u>
<b>Equity</b>			
Share capital	53.8	53.1	53.2
Share premium account	9.9	-	-
Reverse acquisition reserve	(1,182.3)	(1,182.3)	(1,182.3)
Other reserves	111.4	110.4	97.3
Retained earnings	1,170.6	1,130.7	1,162.1
	<u>163.4</u>	<u>111.9</u>	<u>130.3</u>
<b>Equity attributable to equity holders of the parent</b>	<u>163.4</u>	<u>111.9</u>	<u>130.3</u>
Minority interests	2.7	1.6	2.1
<b>Total equity</b>	<u>166.1</u>	<u>113.5</u>	<u>132.4</u>

**consolidated cash flow statement**  
for the six months ended 30 June 2008

	Notes	Six months ended 30 June 2008 (unaudited) £m	Six months ended 30 June 2007 (unaudited) £m	Year ended 31 December 2007 £m
<b>Net cash from operating activities</b>	10	43.5	23.1	82.8
<b>Investing activities</b>				
(Purchase)/sale of other financial assets		(0.7)	0.2	(0.3)
Interest received		4.8	6.2	13.2
Dividends received from associates		0.5	-	0.9
Dividends received from fixed asset investments		-	-	0.2
Purchase of available for sale assets		(0.3)	-	(0.1)
Purchase of intangible fixed assets		(2.0)	(1.5)	(1.1)
Purchase of property, plant and equipment		(6.6)	(1.1)	(5.5)
Acquisition of subsidiaries net of cash acquired		(2.2)	(27.8)	(25.9)
Repayment of acquisition consideration		-	-	0.7
<b>Net cash used in investment activities</b>		(6.5)	(24.0)	(17.9)
<b>Financing activities</b>				
Dividends paid		(17.0)	(12.7)	(21.1)
Dividends paid to minority interests		(0.1)	(0.4)	(0.9)
Return of capital		-	(301.5)	(301.5)
Purchase of own shares to meet share based awards (net)		-	0.4	(10.9)
Repayment of debt		(30.1)	-	-
Issue of debt		-	297.2	297.2
Return of capital transaction costs		-	(1.0)	(1.0)
Repayment of obligations under finance leases		(0.2)	(0.3)	(0.5)
<b>Net cash used in financing activities</b>		(47.4)	(18.3)	(38.7)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(10.4)	(19.2)	26.2
<b>Net cash and cash equivalents at the beginning of the period</b>		262.1	236.2	236.2
Effect of foreign exchange rate changes		0.5	(1.8)	(0.3)
<b>Net cash and cash equivalents at the end of the period</b>		252.2	215.2	262.1
Cash and cash equivalents		252.5	216.5	262.2
Overdrafts		(0.3)	(1.3)	(0.1)
<b>Net cash and cash equivalents</b>		252.2	215.2	262.1

## **notes to the consolidated financial statements**

*for the six months ended 30 June 2008*

### **1. General information**

Tullett Prebon plc is a company incorporated in England and Wales under the Companies Act 1985.

The consolidated financial information for the six months ended 30 June 2008 has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with IAS34: Interim Financial Reporting as adopted by the European Union (EU). This financial information should be read in conjunction with the Statutory Accounts for the year ended 31 December 2007 which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The Statutory Accounts for the year ended 31 December 2007 have been reported on by the Company's auditors, Deloitte & Touche LLP, and have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The consolidated financial information for the six months ended 30 June 2008 has been prepared using accounting policies consistent with IFRS. The interim information, together with the comparative information contained in this report for the year ended 31 December 2007, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information is unaudited but has been reviewed by the Company's auditors, Deloitte & Touche LLP, and their report appears at the end of the interim financial report.

### **2. Accounting policies**

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The financial statements are rounded to the nearest hundred thousand pounds (expressed as millions to one decimal place - £m), except where otherwise indicated.

The methods of computation and accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007 with the exception of IFRIC 14 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' which is expected to be endorsed by the EU before the end of the year and is therefore required to be implemented for the half year under IAS 34. The interpretation has not had any effect on the recognition of the retirement benefit obligations by the Group.

### **3. Related party transactions**

Related party transactions are described in the 2007 annual report and accounts in note 36 to the consolidated financial statements. There have been no material changes in the nature or value of related party transactions in the six months ended 30 June 2008.

### **4. Principal risks and uncertainties**

Information on the principal long term risks and uncertainties of the Group is included in the latest annual report and accounts which are available on the Company's website ([www.tullettprebon.com](http://www.tullettprebon.com)). Risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year are discussed in the Business Review.

## notes to the consolidated financial statements

for the six months ended 30 June 2008

### 5. Segmental analysis

The Group's primary reporting format is geographical, and its secondary reporting format is product group.

<b>Geographical</b>	<b>Six months ended 30 June 2008 (unaudited) £m</b>	<b>Six months ended 30 June 2007 (unaudited) £m</b>	<b>Year ended 31 December 2007 £m</b>
<b>Revenue</b>			
Europe	247.4	184.4	377.6
North America	165.3	151.5	300.5
Asia	55.6	35.7	75.7
	<u>468.3</u>	<u>371.6</u>	<u>753.8</u>
<b>Operating profit</b>			
Europe	51.4	40.0	75.5
North America	23.7	20.9	46.8
Asia	9.1	3.9	9.5
	<u>84.2</u>	<u>64.8</u>	<u>131.8</u>

<b>Product group</b>	<b>Six months ended 30 June 2008 (unaudited) £m</b>	<b>Six months ended 30 June 2007 (unaudited) £m</b>	<b>Year ended 31 December 2007 £m</b>
<b>Revenue</b>			
Treasury Products	127.8	96.5	204.0
Interest Rate Derivatives	114.1	89.8	180.1
Fixed Income	128.4	109.3	210.8
Equities	48.7	36.8	81.0
Energy	40.7	32.1	63.2
Information Sales	8.6	7.1	14.7
	<u>468.3</u>	<u>371.6</u>	<u>753.8</u>

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

## notes to the consolidated financial statements

for the six months ended 30 June 2008

### 6. Finance income

	Six months ended 30 June 2008 (unaudited) £m	Six months ended 30 June 2007 (unaudited) £m	Year ended 31 December 2007 £m
Interest receivable and similar income	5.5	6.8	13.4
Hedge ineffectiveness on net investment hedge	0.1	-	0.2
Expected return on pension schemes' assets	4.3	3.3	7.5
	<u>9.9</u>	<u>10.1</u>	<u>21.1</u>

### 7. Finance costs

	Six months ended 30 June 2008 (unaudited) £m	Six months ended 30 June 2007 (unaudited) £m	Year ended 31 December 2007 £m
Interest payable on bank loans	8.8	5.5	16.0
Interest payable on Eurobond	6.2	6.2	12.4
Other interest payable	0.2	0.3	0.9
Amortisation of debt issue costs	0.6	0.9	1.5
Total borrowing costs	<u>15.8</u>	<u>12.9</u>	<u>30.8</u>
Amortisation of discount on deferred consideration	0.3	0.5	0.9
Mark to market loss on equity swap	-	1.5	0.7
Interest cost on pension schemes' liabilities	3.5	2.9	6.7
	<u>19.6</u>	<u>17.8</u>	<u>39.1</u>

## notes to the consolidated financial statements

for the six months ended 30 June 2008

### 8. Earnings per share

	Six months ended 30 June 2008 (unaudited)	Six months ended 30 June 2007 (unaudited)	Year ended 31 December 2007
Adjusted basic	22.4p	17.2p	33.5p
Basic	22.6p	16.1p	34.7p
Diluted	22.4p	15.9p	34.2p

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

	Six months ended 30 June 2008 (unaudited) No. (m)	Six months ended 30 June 2007 (unaudited) No. (m)	Year ended 31 December 2007 No. (m)
Weighted average shares in issue	212.3	211.6	211.3
Issuable on exercise of options	1.2	3.1	3.1
Diluted weighted average shares in issue	<u>213.5</u>	<u>214.7</u>	<u>214.4</u>

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

	Six months ended 30 June 2008 (unaudited) £m	Six months ended 30 June 2007 (unaudited) £m	Year ended 31 December 2007 £m
Earnings	48.4	34.4	74.3
Minority interest	(0.5)	(0.3)	(0.9)
Earnings for the purposes of the basic and diluted earnings per share	<u>47.9</u>	<u>34.1</u>	<u>73.4</u>
Adjusted for:			
Mark to market loss on equity swap	-	1.5	0.7
Gain arising on net investment hedge ineffectiveness	(0.1)	-	(0.2)
Expected return on pension schemes' assets	(4.3)	(3.3)	(7.5)
Interest cost on pension schemes' liabilities	3.5	2.9	6.7
Amortisation of discount on deferred consideration	0.3	0.5	0.9
Taxation charge on above items	0.2	0.1	0.3
Prior year tax	-	0.5	(5.1)
Capital tax charge	-	-	1.6
Adjusted earnings	<u>47.5</u>	<u>36.3</u>	<u>70.8</u>

## notes to the consolidated financial statements

for the six months ended 30 June 2008

### 9. Dividends

	Six months ended 30 June 2008 (unaudited) £m	Six months ended 30 June 2007 (unaudited) £m	Year ended 31 December 2007 £m
<b>Amounts recognised as distributions to equity holders in the period:</b>			
Final dividend for the year ended 31 December 2007 of 8p per share	17.0	-	-
Interim dividend for the year ended 31 December 2007 of 4p per share	-	-	8.4
Final dividend for the year ended 31 December 2006 of 6p per share	-	12.7	12.7
	<u>17.0</u>	<u>12.7</u>	<u>21.1</u>

An interim dividend of 4.75p per share will be paid on 20 November 2008 to all shareholders on the Register of Members on 31 October 2008.

The trustees of the Tullett Prebon plc Employee Share Ownership Trust and the trustees of the Tullett Prebon plc Employee Benefit Trust 2007 have waived their rights to dividends.

## notes to the consolidated financial statements

for the six months ended 30 June 2008

### 10. Notes to the cash flow statement

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

	Six months ended 30 June 2008 (unaudited) £m	Six months ended 30 June 2007 (unaudited) £m	Year ended 31 December 2007 £m
<b>Operating profit</b>	84.2	64.8	131.8
Adjustments for:			
Share based compensation	2.1	2.1	2.9
Loss on disposal of property, plant and equipment	1.1	-	0.2
Depreciation of property, plant and equipment	3.3	3.0	5.8
Amortisation of intangible assets	0.6	0.7	1.4
(Decrease)/increase in provisions for liabilities and charges	(1.1)	(0.8)	2.8
Outflow from retirement benefit obligations	(1.8)	(1.4)	(2.5)
(Decrease) in non-current liabilities	(0.6)	(0.3)	-
<b>Operating cash flows before movement in working capital</b>	87.8	68.1	142.4
(Increase) in trade and other receivables	(23.0)	(19.5)	(15.1)
Decrease/(increase) in net settlement balances	3.9	(2.9)	(2.3)
Increase/(decrease) in trade and other payables	2.0	(2.3)	19.6
<b>Cash generated from operations</b>	70.7	43.4	144.6
Income taxes paid	(16.5)	(17.0)	(32.9)
Interest paid	(10.7)	(3.3)	(28.9)
<b>Net cash from operating activities</b>	43.5	23.1	82.8

#### (b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with maturity of three months or less. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one week depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	30 June 2008 (unaudited) £m	30 June 2007 (unaudited) £m	31 December 2007 £m
Cash and cash equivalents	252.5	216.5	262.2
Bank overdrafts	(0.3)	(1.3)	(0.1)
	252.2	215.2	262.1

**notes to the consolidated financial statements**  
for the six months ended 30 June 2008

**11. Analysis of net funds**

	<b>At 1 January 2008 £m</b>	<b>Cash flow £m</b>	<b>Non-cash items £m</b>	<b>Exchange differences £m</b>	<b>At 30 June 2008 £m</b>
Cash in hand and at bank	177.4	5.9	-	0.5	183.8
Cash equivalents	82.4	(16.7)	-	-	65.7
Client settlement money	2.4	0.6	-	-	3.0
Overdraft	(0.1)	(0.2)	-	-	(0.3)
	<hr/> 262.1	<hr/> (10.4)	<hr/> -	<hr/> 0.5	<hr/> 252.2
Bank loans due within one year	(30.0)	30.0	(29.6)	-	(29.6)
Bank loans due after one year	(267.9)	-	29.3	-	(238.6)
Loan due within one year	(0.1)	0.1	-	-	-
Loan due after one year	(149.2)	-	0.5	-	(148.7)
Finance leases	(3.2)	0.2	(0.2)	(0.2)	(3.4)
	<hr/> (450.4)	<hr/> 30.3	<hr/> -	<hr/> (0.2)	<hr/> (420.3)
Other financial assets	28.3	0.7	-	-	29.0
Total net funds	<hr/> (160.0)	<hr/> 20.6	<hr/> -	<hr/> 0.3	<hr/> (139.1)

## notes to the consolidated financial statements

for the six months ended 30 June 2008

### 12. Acquisition

#### Primex Energy Brokers Limited (subsequently renamed Tullett Prebon (Oil) Limited)

On 14 March 2008 the Group acquired 100% of the share capital of Primex Energy Brokers Ltd ("Primex"), subsequently renamed Tullett Prebon (Oil) Limited. The consideration paid on completion was £0.5m in cash and £10.5m in shares. A further £5.8m in shares is payable in 2011 subject to certain performance requirements. The goodwill arising on the acquisition was £17.3m at 30 June 2008.

This transaction has been accounted for under the acquisition method of accounting.

The provisional fair values of assets and liabilities acquired and consideration paid were as follows:

	Book value £m	Fair value £m
<b>Net liabilities acquired</b>		
Property, plant and equipment	0.2	0.2
Trade and other receivables	3.0	3.0
Cash and cash equivalents	1.6	1.6
Trade and other payables	(3.7)	(3.7)
Long-term payable	(1.2)	(1.2)
	<u>(0.1)</u>	<u>(0.1)</u>
Goodwill		<u>17.3</u>
<b>Total consideration</b>		<u><u>17.2</u></u>
<b>Satisfied by</b>		
Shares		10.5
Deferred contingent consideration		5.8
Cash		0.5
Costs of acquisition		<u>0.4</u>
		<u><u>17.2</u></u>
<b>Net cash inflow arising on acquisition</b>		
Cash consideration and costs of acquisition		(0.9)
Cash and cash equivalents acquired		<u>1.6</u>
		<u><u>0.7</u></u>

If the acquisition of Primex had been completed on the first day of the period, the Group's revenue for the period would have been £3.8m higher and the profit for the period would have been £0.3m higher. Since the date of acquisition, Primex has contributed £4.6m to the Group's revenue and £0.4m to the Group's profit for the period.

## **notes to the consolidated financial statements**

*for the six months ended 30 June 2008*

### **13. Share capital**

On 14 March 2008, Tullett Prebon plc issued 2,262,196 ordinary shares of 25p each with a fair value of £10.5m to the former owners of Primex.

On 2 June 2008, Tullett Prebon plc issued 82,569 ordinary shares of 25p at par value. The shares were allotted to the Tullett Prebon plc Employee Benefit Trust 2007.

## **statement of directors' responsibilities**

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

By order of the board

Terry Smith  
*Chief Executive*

5 August 2008

# **independent review report to tullett prebon plc**

## **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

## **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

## **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

## **Deloitte & Touche LLP**

Chartered Accountants and Registered Auditor

5 August 2008

London, UK