TULLETT PREBON PLC

PRELIMINARY RESULTS – for the year ended 31 December 2010

Tullett Prebon plc (the "Company") today announced its preliminary results for the year ended 31 December 2010.

Financial Highlights

- Revenue £908.5m (2009: £947.7m)
- Operating profit £152.4m (2009: £170.8m)
- Operating margin 16.8% (2009: 18.0%)
- Adjusted Profit before tax[1] £139.7m (2009: £157.0m)
- Adjusted EPS[2] 46.4p (2009: 49.2p)
- Operating cash flow £132.0m – 87% conversion of operating profit

Notes
1. Adjusted Profit before Tax is stated before non cash gains and losses in net finance income / (expense). A reconciliation of Adjusted Profit before Tax to the Reported Profit before Tax of £141.3m (2009: £156.5m) is shown in the Financial Review
2. Adjusted EPS is stated before non cash gains and losses in net finance income / (expense) net of tax, prior year tax items, and tax on capital related items

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

"The financial results for 2010 reflect the enduring strength of the business in challenging market and competitive conditions, and the progress that has been made in re-establishing our position in North America.

Revenue for the year of £908.5m was 4% lower than reported for 2009 mainly due to the net effect of the broker defections in North America following the raid by BGC in the second half of 2009. Underlying revenue, adjusting for the broker defections, was unchanged compared with the prior year which, given that market activity was more subdued overall in 2010 than in 2009, was a good performance.

After lower financing costs, adjusted profit before tax of £139.7m compares with £157.0m in 2009. With a reduction in the effective tax rate to 29.2%, adjusted basic earnings per share were 6% lower than last year at 46.4p.

One of the most attractive features of the business is its excellent cash flow generation. Operating cash flow for the year was £132.0m and at the end of the year net funds amounted to £67.8m, an increase in the year of £58.8m.

The Board recognises that dividends are an important element of shareholder return and is recommending a final dividend of 10.5p per share, making the total dividend for the year 15.75p per share, an increase of 5% on the 15.0p per share paid for 2009. The final dividend will be payable on 19 May 2011 to shareholders on the register on 26 April 2011."

Terry Smith, Chief Executive, added:

"The world's financial markets remain unsettled, and although it is difficult to predict market conditions, it seems reasonable to expect that there will continue to be periods of volatility.

Underlying revenue, adjusting for the impact of the closure of the six satellite offices in North America, is 3% higher in the first two months of the year than a year ago. This reflects the benefit of the rebuilding in North America and the continued recovery in Asia. We will continue to invest in the development of the business across all three regions.

The enduring strength of the business is the valuable service it provides to clients through its ability to create liquidity through price and volume discovery to facilitate trading in a wide range of financial instruments. We believe that the introduction of the various regulatory proposals affecting the OTC markets will be positive for our business as the proposals formalise the role of the intermediary in those markets. The changes in the regulatory environment will result in changes in the way in which some trades are executed, reported and cleared. We believe that we are well positioned to continue to provide a valuable service to clients and that our offering can be developed to meet the requirements being proposed."

Enquiries:

Nigel Szembel, Head of Communications **Mobile: 07802 362088**
Tullett Prebon plc

Further information on the Company and its activities is available on the Company's website: www.tullettprebon.com

Overview

The financial results for 2010 reflect the enduring strength of the business in challenging market and competitive conditions, and the progress that has been made in re-establishing our position in North America.

Although financial markets have remained unsettled and risk appetite has started to return, market activity was more subdued overall in 2010 than in 2009. There were only a few limited periods of sustained higher volatility during the year, most notably in May, and in November and the first two weeks in December.

Underlying revenue in 2010 was unchanged compared with the prior year which was a good performance in these market conditions. The net effect of the broker defections in North America, following the raid by BGC in the second half of 2009, reduced revenue by 5%. In addition the action taken during the year to close six 'satellite' offices in North America that made only a limited contribution to operating profit reduced revenue by 1%. The impact of currency movements on the translation of our non-UK operations was slightly favourable. Overall, revenue of £908.5m was 4% lower than reported for 2009. Operating profit for the year was £152.4m, 11% lower than 2009, with an operating margin of 16.8%.

Excellent progress has been made in re-establishing our presence in all of the major product areas in North America affected by the broker defections. Including the twenty-six strong credit broking team who started with the business in early January 2011, broker headcount on the affected desks is now largely back to the levels before the defections.

In addition to the hiring programme, action has been taken to reduce costs and complexity in North America including reductions in broking support staff and the closure of six satellite offices in the region. The offices that have been closed accounted for around 2% of group revenue in 2010, mainly in cash equities and energy products, and their closure allows management to focus on the two main offices in New Jersey and New York.

The presidential election in Brazil has delayed the final approval of our acquisition of Convenção, one of the leading and most well respected brokers in Brazil, which will facilitate our expansion both in the market in Brazil and in other Latin American markets, and will complement our existing emerging markets activities in North America.

We have continued to develop our electronic broking capabilities, focused on the hybrid electronic broking model, developing electronic platforms which complement and support existing voice broker liquidity. This approach is preferred by both clients and brokers as it is better suited to the majority of OTC products for which liquidity will continue to depend on the support of voice brokers, and it facilitates the development and introduction of trade execution methods and other capabilities as necessary to meet regulatory requirements and market demands. We have a well established development process with access to market leading technology and we are well placed to launch new platforms as and when they are required.

The Information Sales business has continued to expand its customer base and investment is being made to increase the breadth of the data it offers to customers. The post trade Risk Management Services business has established a significant market share in electronic LIBOR reset matching through the tpMATCH platform that was launched at the end of 2009.

Revenue from products supported by electronic platforms, together with Information Sales and Risk Management Services revenue, continues to account for one sixth of total revenue, as no new platforms were launched in 2010. The proportion of that revenue derived from voice-only execution continues to reduce, with an increasing proportion derived from trades conducted through the platforms.

There have been significant developments during 2010 in the process of agreeing and introducing reforms designed to strengthen the financial system and to improve the operation of the financial markets. In the United States the Dodd-Frank Wall Street Reform and Consumer Protection Act has passed into law, and the European Commission has published proposals on the regulation of OTC derivatives markets and on the review of the Markets in Financial Instruments Directive. We support the general direction of these developments, and more detailed comments on them and their potential impact on the business are set out below. Whilst these developments will introduce increased regulation of OTC derivatives markets and changes in the way in which some trades are executed, they reinforce and formalise the role of the intermediary in the wholesale markets for financial instruments. There are only a very few highly liquid products that are suitable for execution solely on pure electronic platforms without intervention and support from brokers. We believe that our investments in electronic platforms and associated infrastructure, and our hybrid electronic broking model, means we are well positioned to respond to, and to benefit from, changes in the way in which OTC markets and our customers operate.

The enduring strength of our business is the valuable service it provides to clients through its ability to create liquidity through price and volume discovery to facilitate trading in a wide range of financial instruments. Our strategy is to continue to focus on providing services as an intermediary in wholesale OTC markets, and to continue to build a business with the scale and breadth to deliver superior performance and returns, whilst maintaining strong financial management disciplines.

Our key financial and performance indicators for 2010 compared with those for 2009 are summarised in the table below.

			Change	
	2010	**2009**	**Reported**	**Constant Exchange Rates**
Revenue	£908.5m	£947.7m	-4%	-5%
Operating profit	£152.4m	£170.8m	-11%	-11%
Operating margin	16.8%	18.0%	-1.2% points	
Broker headcount (year end)	1,601	1,612	-1%	
Average revenue per broker (£'000)	540	565	-4%	-5%
Broker employment costs : broking revenue	58.5%	58.0%	+ 0.5% points	
Broking support headcount (year end)	679	712	-5%	

Reported revenue in 2010 of £908.5m was 5% lower than 2009 at constant exchange rates. Year end broker headcount was 1% lower at 1,601 but this reflects the closure of the six satellite offices in North America. Adjusting for that action, year end broker headcount was 3% higher than last year. Average revenue per broker at £540k was 5% lower at constant exchange rates reflecting the generally lower level of activity in the market and the impact of new hires building up to their full run rate of revenue.

Operating profit of £152.4m was 11% lower than for 2009 with the operating margin at 16.8% compared to 18.0% for 2009. There is some operational leverage in the business and the reduction in operating margin primarily reflects the effect of the reduction in revenue in North America. In addition broker compensation as a percentage of broking revenue increased by 0.5% points to 58.5% due to the increased costs of employment in North America as a result of the unlawful poaching raid on the business by BGC, and the initial inefficiencies experienced as the affected desks were re-established. The 5% reduction in broking support headcount reflects cost reduction action taken in North America.

Litigation

On 18 March 2010 Judgment was handed down in the legal action that the Company had taken in London against BGC, two of BGC's senior directors and ten former Company brokers, in response to a raid by BGC in early 2009 on the London business. The Judge held that there was an unlawful conspiracy between BGC and its two senior directors to poach the Company's employees and that the Company was and is entitled to a 12 month injunction against all but one of the former brokers, and also against BGC, as well as financial remedies. The Judge dismissed BGC's counter-claim against the Company. BGC's appeal against some of grounds in the Judgment was heard in December 2010. On 22 February 2011 the Court of Appeal handed down its Judgment which rejected all the appeals lodged by BGC. The Company is seeking substantial damages from BGC. The damages trial has been fixed for four weeks commencing in March 2011.

Legal action continues to be pursued against BGC and former employees in the United States. The subsidiary companies in the United States directly affected by the raid have brought a claim against BGC in arbitration pursuant to the rules of the Financial Industry Regulatory Authority ("FINRA"). The outcome of this case is unlikely to be determined before 2012.

A separate action brought by Tullett Prebon plc issued in the United States Court for the District of New Jersey against BGC alleging, among other causes of action, violations of the New Jersey RICO statute has been dismissed, and is under appeal. This case was dismissed by the judge on technical grounds, in part based on the pendency of the FINRA arbitration, and which did not consider the merits of the claim. This appeal is likely to be heard in 2012.

Legal action also continues to be pursued against former employees in Hong Kong and Singapore who have unlawfully terminated their employment with the Company in order to join BGC.

Operating Review

The tables below analyse revenue and operating profit for 2010 compared with 2009. A significant proportion of the group's activity 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 non-UK operations. In order to give a more meaningful analysis of performance, revenue and operating profit growth rates for 2010 shown below are presented both as reported, and calculated using translation exchange rates for 2009 consistent with those used for 2010. The commentary below refers to growth rates at constant exchange rates.

Revenue by product group			**Change**	
	2010 £m	**2009 £m**	**Reported**	**Constant Exchange Rates**
Treasury Products	248.4	238.9	+4%	+2%
Interest Rate Derivatives	205.0	192.0	+7%	+5%
Fixed Income	249.3	317.1	-21%	-21%
Equities	67.2	74.0	-9%	-9%
Energy	105.8	100.6	+5%	+5%
Information Sales and Risk Management Services	32.8	25.1	+31%	+31%
	908.5	947.7	-4%	-5%

Revenue in most product areas was higher in 2010 than 2009 reflecting the strength of the business in the traditional 'flow' products of foreign exchange and interest rate swaps, and the continuing development of the Energy business.

Within Treasury Products, good growth in forward FX in all three regions, particularly in emerging market forward FX including non-deliverable forwards, offset a decline in revenue from cash and deposits broking. FX options revenue was little changed.

Similarly, within Interest Rate Derivatives, revenue growth was driven by the strong performance in emerging market interest rate derivatives across all three regions. Revenue from G7 interest rate swaps and interest rate options was also higher than last year.

The decline in revenue in Fixed Income reflects the impact of the broker defections in North America, together with the decline in activity in credit derivatives in both Europe and North America, and in agency bonds in North America. The traditional 'flow' European government bond business continued to perform well, boosted by the volatility in those markets in periods during the year, and the business increased market share in exchange traded futures and options.

In Equities, the decline in revenue was primarily driven by reductions in activity in cash equities, including the equities business acquired with Chapdelaine that was exited as part of the satellite office closures. Revenue from equity derivatives was also slightly lower than last year.

Energy markets were relatively buoyant during the year and the Energy business in Europe which covers power, gas and oil products performed strongly, and offset a decline in revenue from the Energy business in North America which is mainly focused on power products.

The Information Sales business continued to benefit from increasing customer demand for both real time and end of day data and from an expansion of the customer base. In addition, the post trade Risk Management Services business has established a significant market share in electronic LIBOR reset matching through the tpMATCH platform that was launched at the end of 2009, and made a substantial contribution to revenue.

Revenue by region			**Change**	
	2010 £m	**2009 £m**	**Reported**	**Constant Exchange Rates**
Europe	536.1	542.6	-1%	-1%
North America	259.0	318.0	-19%	-19%
Asia Pacific	113.4	87.1	+30%	+22%
	908.5	947.7	-4%	-5%

Europe

Revenue in Europe was 1% lower than in 2009. Broker headcount in Europe at 807 was 2% higher than a year ago but average revenue per broker declined slightly reflecting the more subdued market. The business continued to perform well in the traditional ‘flow’ products of foreign exchange, interest rate swaps and government bonds, with revenue held back by slower market activity in the ‘volatility’ products of FX and interest rate options, and credit and equity derivatives.

In Fixed Income the business maintained its leading position in government bonds and increased market share in exchange traded futures and options, but did experience lower activity in the credit markets for corporate bonds and particularly credit derivatives. Despite the loss of revenue from the cash, forward FX and interest rate swap desks affected by the BGC raid in the first half of 2009, revenue in Treasury Products and Interest Rate Derivatives was little changed with strong growth in emerging markets products (Eastern Europe, Russia, Turkey, and South Africa). The Equities business, the smallest product group in Europe, suffered from lower activity in equity derivatives which offset growth in revenue from the development of the alternative investments desk. The Energy business continued to benefit from active markets and delivered strong revenue growth in all three main product areas of oil, power and gas.

North America

In North America, revenue fell by 19%. Almost all this decline was due to lower revenue from those desks affected by the broker defections following the raid on the business by BGC in the second half of 2009, and to the reduction in revenue from desks in the six satellite offices that were closed during the year.

Underlying revenue in North America, excluding the affected desks and the impact of the office closures, was 3% lower than last year, reflecting slightly lower average revenue per broker with broker headcount little changed. Good revenue growth in Treasury Products and Interest Rate Derivatives, particularly from Latin American emerging markets products, was offset by weaker markets in agency bonds and credit derivatives in Fixed Income.

Year end broker headcount in North America at 437 was 7% lower than at the end of 2009, reflecting the 52 brokers who left the business as a result of the closure of the six satellite offices. Adjusting for this, year end broker headcount was 5% higher than last year reflecting the rebuilding of the desks affected by the raid in 2009. Including the twenty-six strong credit broking team who joined the business at the beginning of 2011, broker headcount on the affected desks is now largely back to the levels before the defections.

Revenue from the desks in the offices that were closed during the year accounted for around 7% of the total revenue in North America in 2010, mainly in Equities and Energy.

Asia

Revenue increased by 22% in Asia. Year end broker headcount of 357 was little changed on last year, with average revenue per broker up by 13% reflecting the strong recovery of market activity in the region due to the return of risk appetite and capital deployed by clients. The increased revenue in 2010 also reflects the development of the Risk Management Services business, much of which is operated from Singapore.

Much of the business in Asia is focused on Treasury Products and Interest Rate Derivatives and revenue grew strongly in these areas reflecting the return of liquidity in regionally based products and market share gains. The business also benefited from investment in the development of other products, including the oil products desks in Singapore and the equity derivatives activity in Tokyo.

Although the three largest centres in the region, Singapore, Hong Kong and Tokyo, represented over 80% of the region's revenue, the business is profitably developing scale in other Asia Pacific financial centres, including the joint venture in Shanghai.

Operating profit by region

	2010 £m	2009 £m	Change: Reported	Change: Constant Exchange Rates
Europe	120.7	123.2	-2%	-2%
North America	22.5	44.4	-49%	-49%
Asia Pacific	9.2	3.2	+188%	+168%
Reported	152.4	170.8	-11%	-11%

Operating margin by region	**2010**	**2009**
Europe	22.5%	22.7%
North America	8.7%	14.0%
Asia Pacific	8.1%	3.7%
	16.8%	18.0%

Operating profit and operating margin in Europe were both slightly lower than last year, primarily reflecting the small decline in revenue. Broker employment costs as a percentage of revenue were little changed compared with 2009, and support costs were also in line with last year.

Operating profit in North America nearly halved and the operating margin reduced to 8.7%. The reduction in profitability reflects the reduction in the scale of the business following the broker defections, as although support costs in the region reduced, they still represented a higher percentage of revenue in 2010 than in 2009. Broker employment costs as a percentage of revenue were also higher than a year ago reflecting the increased costs of employment in the light of competitor action and the initial inefficiencies experienced as new hires build up to their full run rate of revenue.

The business in Asia Pacific has a relatively high level of operational gearing, and the operating margin in the region more than doubled with operating profit increased to £9.2m, primarily due to the benefit of increased revenue. Broker employment costs as a percentage of revenue were also lower than last year as the inefficiencies arising from the lower levels of revenue in 2009 were reduced, and support costs were little changed year on year.

Financial Review

The results for 2010 compared with those for 2009 are shown in the table below.

	2010 £m	2009 £m
Revenue	908.5	947.7
Operating profit	152.4	170.8
Finance expense	(12.7)	(13.8)
Adjusted Profit before tax[1]	139.7	157.0
Tax	(40.8)	(53.0)
Associates	1.5	1.8
Minority interests	(0.6)	(0.6)
Adjusted Earnings[2]	99.8	105.2
Weighted average number of shares	214.9m	213.9m
Adjusted Earnings per share	46.4p	49.2p

Note 1. Adjusted PBT reconciles to reported PBT as follows:	2010 £m	2009 £m
Adjusted Profit before tax	139.7	157.0
Non cash finance (expense)/income	1.6	(0.5)
Reported Profit before tax	141.3	156.5

Note 2. Adjusted Earnings reconciles to reported Earnings as follows:	2010 £m	2009 £m
Adjusted Earnings	99.8	105.2
Non cash finance (expense)/income	1.6	(0.5)
Deferred tax on non cash finance (expense)/income	(0.5)	0.2
Prior year tax items	1.6	5.9
Tax on capital related items	6.0	-
Reported Earnings	108.5	110.8

Finance Expense

The net finance expense comprises the interest payable on the fixed rate bonds, the interest payable on the floating rate bank debt, the interest income on cash deposits, and the amortisation of debt issue costs which are paid upfront and charged to the income statement over the term of the debt to which they relate.

The reduction in finance expense in 2010 compared to 2009 reflected the full year benefit of the lower interest rates on the bonds which took effect in July and August 2009, and lower interest on the bank debt due to lower interest rates and the lower average amount outstanding, partly offset by the lower interest receivable on cash balances.

Non cash finance income/(expense) items are excluded from adjusted profit before tax and adjusted earnings. In 2010 and 2009 these items comprised only the expected return and interest on pension scheme assets and liabilities. In 2010 these pension related items netted to a credit of £1.6m; in 2009 these items netted to a charge of £0.5m.

Tax

The effective rate of tax on adjusted profit before tax was 29.2% (2009: 33.8%). The reduction in the effective rate compared with 2009 results primarily from the increase in the proportion of taxable profits generated in the UK and Asia relative to the US.

Tax charges and credits arising on non cash finance income/(expense) items, prior year tax items and tax charges and credits on capital related items are excluded from the calculation of the effective tax rate on adjusted profit before tax, as they do not relate to current trading. Prior year tax items primarily reflect the release of tax provisions made in previous years as tax matters are settled. The tax credit on capital related items reflects the tax benefit arising in the US from the write down of goodwill under US GAAP in the local accounts. The statutory effective rate of tax, including these items was 23.8% (2009: 30.0%).

Adjusted Basic EPS

Adjusted Basic EPS is calculated using adjusted earnings shown in the table above and the undiluted weighted average number of shares in issue of 214.9m (2009: 213.9m).

Exchange and Hedging

The income statements of the group's non-UK operations are translated into sterling at average exchange rates. The most significant exchange rates for the group are the US dollar, the Euro, the Singapore dollar and the Japanese Yen. The group's current policy is not to hedge income statement translation exposure.

The balance sheets of the group's non-UK operations are translated into sterling using year end exchange rates. The major balance sheet translation exposure is to the US dollar. Since October 2008 the group's policy is not to hedge balance sheet translation exposure.

Average and year end exchange rates used in the preparation of the financial statements are shown below.

	Average		**Year End**	
	2010	**2009**	**2010**	**2009**
US dollar	$1.55	$1.55	$1.57	$1.61
Euro	€1.17	€1.12	€1.17	€1.13
Singapore dollar	S$2.12	S$2.26	S$2.01	S$2.27
Japanese Yen	¥136	¥145	¥127	¥150

Cash flow and financing

Cash flow before dividends and debt repayments and draw downs is summarised in the table below.

	2010 £m	2009 £m
Operating profit	152.4	170.8
Share based compensation	(0.9)	(0.4)
Depreciation and amortisation	9.4	8.2
EBITDA	160.9	178.6
Capital expenditure (net of disposals)	(12.4)	(9.4)
Working capital	(16.5)	(31.3)
Operating cash flow	132.0	137.9
Exceptional items – restructuring cash payments	-	(6.8)
Interest	(11.5)	(11.7)
Derivative financial instruments	-	(10.0)
Taxation	(27.5)	(30.4)
Defined benefit pension scheme funding	(8.8)	(8.1)
ESOT transactions	1.7	1.5
Dividends received from associates/(paid) to minorities	1.1	1.2
Acquisitions/investments	(2.4)	(3.5)
Sale of investments	1.7	-
Cash flow	86.3	70.1

In 2010 the group again delivered a substantial operating cash flow, representing 87% of operating profit. The working capital outflow of £16.5m in 2010 reflects the increase in the broker sign-on prepayment balance, as new sign-on payments during the year were higher than the amortisation. Net capital expenditure of £12.4m relates to investment in electronic platforms and associated infrastructure, and office fit out costs including the new disaster recovery centre in Piscataway, New Jersey, and was slightly higher than the £9.4m of depreciation and amortisation.

The exceptional items cash payments of £6.8m in 2009 represent the completion of the cash outflows arising from the cost reduction actions taken at the end of 2008.

Interest payments in 2010 were in line with the profit and loss charge adjusted for the amortisation of debt issue costs.

The cash flow from derivative financial instruments in 2009 related to the maturity of the cross currency interest rate swap, which until October 2008 was designated as a net investment hedge of part of the US dollar denominated net assets, and of the forward FX contract executed at that time to close out the FX position inherent in the swap.

Tax payments in 2010 were lower than in 2009 reflecting the lower tax charge in the year, particularly in the US, where we also received a refund of tax paid in the prior year.

During 2010 and 2009 the group made regular contributions to its defined benefit pension schemes to match the benefits paid and the administration expenses. In addition, in each of January 2010 and January 2009 contributions of £4.5m were made under agreements with the trustees of the schemes aimed at eliminating the actuarial deficits by 31 December 2010.

Expenditure on acquisitions and investments in 2010 comprised the deferred consideration payments relating to the acquisitions of Primex and Aspen, and the initial consideration for the acquisition of OTC Valuations.

During the year the group sold its investment in a software development company for initial cash consideration of £1.7m.

The movement in cash and debt is summarised below.

£m	**Cash**	**Debt**	**Net**
At 31 December 2009	396.2	(387.2)	9.0
Cash flow	86.3	-	86.3
Dividends	(32.7)	-	(32.7)
Debt repayments / draw downs	(30.4)	30.4	-
Effect of movement in exchange rates	6.3	0.1	6.4
Amortisation of debt issue costs	-	(1.2)	(1.2)
At 31 December 2010	425.7	(357.9)	67.8

At 31 December 2010 the group held cash, cash equivalents and other financial assets of £425.7m which exceeded the debt outstanding by £67.8m.

At 31 December 2010 the group's outstanding debt comprised £141.1m Eurobonds due July 2016, £8.5m Eurobonds due August 2014, £210m drawn under an amortising bank term loan facility, and a small amount of finance leases. The term loan was subject to a repayment of £30m in January 2011 with £180m maturing in January 2012. The group also had a committed £50m revolving credit facility that remained undrawn throughout the year.

On 8 February 2011 the group entered into £235m of new bank facilities, comprising a £120m amortising term loan facility, and a committed £115m revolving credit facility, which replace the previous bank facilities discussed above. The term loan is subject to repayments of £30m in each of February 2012 and February 2013 with £60m maturing in February 2014. The committed revolving credit facility, which has not been drawn, will also mature in February 2014.

Pensions

The group has two defined benefit pension schemes in the UK which were acquired with Tullett and Prebon, both of which are closed to new members and future accrual.

During 2010 the value of the schemes' assets has increased from £137.7m to £169.5m reflecting strong investment returns and the additional contributions. Under IAS19 the value of the schemes' liabilities have increased from £139.0m to £145.9m, resulting in a net surplus at 31 December 2010 of £23.6m (2009: net deficit £1.3m).

Triennial actuarial valuations of both schemes were undertaken during 2010. These actuarial valuations concluded that each scheme has a significant funding surplus. As a result, the group agreed with the trustees of each scheme that, with effect from February 2011 until the next actuarial valuation, contributions will be equal to the schemes' administration expenses.

Return on capital employed

The return on capital employed in 2010 was 40% (2009: 47%) which has been calculated as operating profit divided by average shareholders' funds adding back cumulative amortised goodwill and acquisition related reorganisation costs net of tax, less net funds, and adjusting for the IAS19 pension surplus or deficit.

Regulatory developments

There have been significant developments during 2010 in the process of agreeing and introducing reforms designed to strengthen the financial system and to improve the operation of the financial markets.

In the United States the Dodd-Frank Wall Street Reform and Consumer Protection Act was enacted on 21 July 2010 and includes legislation governing the regulation and operation of OTC derivatives markets. The Act requires the CFTC and SEC to establish detailed rules and regulations to apply the principles of the legislation by July 2011. Most pertinently for the inter-dealer broker industry the CFTC published its proposed rules on the Core Principles and Other Requirements for Swap Execution Facilities (SEFs) in early January 2011. The CFTC rules governing SEFs are due to come into force in the final quarter of 2011 although this could be delayed pending the outcome of the comment process.

In Europe, the European Commission tabled proposals on the regulation of OTC derivatives markets, commonly known as the European Markets Infrastructure Regulation (EMIR), in September 2010, and in December published a consultation on the review of the Markets in Financial Instruments Directive, commonly known as MiFID II. It is envisaged that the EMIR and MiFID II reforms will come into force during 2013.

We continue to be engaged both directly and through our trade associations in responding to these consultation and discussion documents, and with assisting the rule setters in understanding how the OTC markets currently operate, to help ensure that the final regulations achieve their stated objectives and avoid unintended negative consequences.

Although the final rules are still to be agreed, focusing on the impact on the OTC markets, there are four general themes that emerge in these proposals:

- the requirement for market participants to use central counterparties (CCPs) to clear certain contracts (to be determined by a central authority), with exemptions for non-financial counterparties.

- the requirement for trades to be reported to trade repositories.

- enhanced pre and post trade transparency.

- the requirement for trades which are settled through a central counterparty to be traded through regulated execution venues that meet particular criteria in how they operate and how they are governed – termed SEFs in the US and 'qualifying organised trading facilities' in Europe.

We agree with the objectives and support the direction of these proposals. We believe that their introduction will be positive for our business as the proposals formalise the role of the intermediary in the OTC markets. Specifically, we would make the following observations:

- the increased use of CCPs transfers rather than eliminates risk, and as acknowledged by the proposals, the decision as to which trades are suitable for CCP clearing needs to be made in conjunction with the CCP in the context of their ability to manage the risk.

- the increased use of CCPs is likely to increase the number of counterparties able to be served by the business.

- access to clearing should be open to all execution venues in order to maintain efficiency and market flexibility, and this is recognised by the proposals.

- the provision of trade information to central repositories would be useful for regulators to understand total market and individual participant exposures, but too much pre and post trade transparency can be harmful to liquidity, reduce market efficiency and undermine the efficacy of regulation.

- there are only a very few highly liquid products that are suitable for execution solely on pure electronic platforms without intervention and support from brokers. The proposed requirements for execution venues include the increased use of electronic facilitation, but we believe that given the nature of the markets, broker support in providing liquidity will remain essential to the effective operation of those markets. We believe that our hybrid electronic broking model means that we are well positioned to continue to provide a valuable service to clients, and that our offering can be developed to meet the requirements being proposed.

Outlook

The world's financial markets remain unsettled, and although it is difficult to predict market conditions, it seems reasonable to expect that there will continue to be periods of volatility.

Underlying revenue, adjusting for the impact of the closure of the six satellite offices in North America, is 3% higher in the first two months of the year than a year ago. This reflects the benefit of the rebuilding in North America and the continued recovery in Asia. We will continue to invest in the development of the business across all three regions.

The enduring strength of the business is the valuable service it provides to clients through its ability to create liquidity through price and volume discovery to facilitate trading in a wide range of financial instruments. We believe that the introduction of the various regulatory proposals affecting the OTC markets will be positive for our business as the proposals formalise the role of the intermediary in those markets. The changes in the regulatory environment will result in changes in the way in which some trades are executed, reported and cleared. We believe that we are well positioned to continue to provide a valuable service to clients and that our offering can be developed to meet the requirements being proposed.

Consolidated Income Statement

for the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Revenue	3	908.5	947.7
Administrative expenses		(764.4)	(781.2)
Other operating income	4	8.3	4.3
Operating profit		152.4	170.8
Finance income	5	11.3	20.2
Finance costs	6	(22.4)	(34.5)
Profit before tax		141.3	156.5
Taxation		(33.7)	(46.9)
Profit of consolidated companies		107.6	109.6
Share of results of associates		1.5	1.8
Profit for the year		109.1	111.4
Attributable to:			
Equity holders of the parent		108.5	110.8
Minority interests		0.6	0.6
		109.1	111.4
Earnings per share			
Basic	7	50.5p	51.8p
Diluted	7	50.3p	51.2p

Adjusted earnings per share is disclosed in note 7

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	2010 £m	2009 £m
Profit for the year	109.1	111.4
Other comprehensive income:		
Revaluation of available-for-sale assets	0.3	0.9
Gain on net investment hedge	-	2.5
Effect of changes in exchange rates on translation of foreign operations	9.1	(17.2)
Actuarial gains/(losses) on defined benefit pension schemes	14.5	(0.5)
Taxation charge on components of other comprehensive income	(6.8)	(1.9)
Other comprehensive income for the year	17.1	(16.2)
Total comprehensive income for the year	126.2	95.2
Attributable to:		
Equity holders of the parent	125.3	94.9
Minority interests	0.9	0.3
	126.2	95.2

Consolidated Balance Sheet

as at 31 December 2010

	2010 £m	2009 £m
Non-current assets		
Goodwill	376.5	373.5
Other intangible assets	12.1	7.4
Property, plant and equipment	24.3	25.6
Interest in associates	3.6	3.5
Other financial assets	4.1	4.8
Deferred tax assets	13.0	13.7
Retirement benefit assets	23.6	-
	457.2	428.5
Current assets		
Trade and other receivables	4,186.9	5,765.0
Other financial assets	35.6	30.1
Cash and cash equivalents	390.1	366.1
	4,612.6	6,161.2
Total assets	5,069.8	6,589.7
Current liabilities		
Trade and other payables	(4,229.4)	(5,825.5)
Interest bearing loans and borrowings	(30.1)	(30.2)
Current tax liabilities	(40.3)	(36.7)
Short term provisions	(0.5)	(1.5)
	(4,300.3)	(5,893.9)
Net current assets	312.3	267.3
Non-current liabilities		
Interest bearing loans and borrowings	(327.8)	(357.0)
Retirement benefit obligations	-	(1.3)
Deferred tax liabilities	(19.5)	(8.1)
Long term provisions	(3.9)	(7.8)
Other long term payables	(6.5)	(9.1)
	(357.7)	(383.3)
Total liabilities	(4,658.0)	(6,277.2)
Net assets	411.8	312.5
Equity		
Share capital	53.8	53.8
Share premium	9.9	9.9
Reverse acquisition reserve	(1,182.3)	(1,182.3)
Other reserves	146.7	128.6
Retained earnings	1,380.9	1,300.3
Equity attributable to equity holders of the parent	409.0	310.3
Minority interests	2.8	2.2
Total equity	411.8	312.5

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Equity attributable to equity holders of the parent											
	Share capital	Share premium account	Reverse acquisition reserve	Equity reserve	Re-valuation reserve	Merger reserve	Hedging and translation	Own shares	Retained earnings	Total	Minority interests	Total equity
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 1 January 2010	**53.8**	**9.9**	**(1,182.3)**	**-**	**2.3**	**121.5**	**7.6**	**(2.8)**	**1,300.3**	**310.3**	**2.2**	**312.5**
Profit for the year	-	-	-	-	-	-	-	-	108.5	108.5	0.6	109.1
Other comprehensive income for the year	-	-	-	-	0.3	-	9.8	-	6.7	16.8	0.3	17.1
Total comprehensive income for the year	-	-	-	-	0.3	-	9.8	-	115.2	125.3	0.9	126.2
Equity component of deferred consideration	-	-	-	5.3	-	-	-	-	-	5.3	-	5.3
Dividends paid in the year	-	-	-	-	-	-	-	-	(32.7)	(32.7)	(0.3)	(33.0)
Sale of own shares	-	-	-	-	-	-	-	2.3	(0.6)	1.7	-	1.7
Shares used to meet share award exercises	-	-	-	-	-	-	-	0.4	(0.4)	-	-	-
Debit arising on share-based payment awards	-	-	-	-	-	-	-	-	(0.9)	(0.9)	-	(0.9)
Balance at 31 December 2010	**53.8**	**9.9**	**(1,182.3)**	**5.3**	**2.6**	**121.5**	**17.4**	**(0.1)**	**1,380.9**	**409.0**	**2.8**	**411.8**
Balance at 1 January 2009	**53.8**	**9.9**	**(1,182.3)**	**-**	**1.4**	**121.5**	**23.9**	**(6.9)**	**1,220.8**	**242.1**	**2.4**	**244.5**
Profit for the year	-	-	-	-	-	-	-	-	110.8	110.8	0.6	111.4
Other comprehensive income for the year	-	-	-	-	0.9	-	(16.3)	-	(0.5)	(15.9)	(0.3)	(16.2)
Total comprehensive income for the year	-	-	-	-	0.9	-	(16.3)	-	110.3	94.9	0.3	95.2
Dividends paid in the year	-	-	-	-	-	-	-	-	(27.8)	(27.8)	(0.7)	(28.5)
Sale of own shares	-	-	-	-	-	-	-	2.6	(1.1)	1.5	-	1.5
Shares used to meet share award exercises	-	-	-	-	-	-	-	1.5	(1.5)	-	-	-
Increase in minorities' equity interests	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Debit arising on share-based payment awards	-	-	-	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Balance at 31 December 2009	**53.8**	**9.9**	**(1,182.3)**	**-**	**2.3**	**121.5**	**7.6**	**(2.8)**	**1,300.3**	**310.3**	**2.2**	**312.5**

Consolidated Cash Flow Statement

for the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Net cash from operating activities	9(a)	94.7	85.3
Investing activities			
Purchase of other financial assets		(5.2)	(0.8)
Interest received		1.9	5.0
Dividends from associates		1.4	1.9
Sale/(purchase) of available-for-sale assets		1.7	(0.1)
Expenditure on intangible fixed assets		(7.5)	(4.1)
Purchase of property, plant and equipment		(4.9)	(5.2)
Proceeds on disposal of property, plant and equipment		0.2	0.2
Investment in subsidiaries		(2.4)	(3.4)
Net cash used in investment activities		(14.8)	(6.5)
Financing activities			
Dividends paid	8	(32.7)	(27.8)
Dividends paid to minority interests		(0.3)	(0.7)
Sale of own shares		1.7	1.5
Repayment of debt		(30.3)	(30.1)
Repayment of obligations under finance leases		(0.3)	(3.7)
Eurobond issue costs		-	(2.5)
Payments relating to net investment hedges		-	(12.5)
Receipts relating to net investment hedges		-	2.5
Net cash used in financing activities		(61.9)	(73.3)
Net increase in cash and cash equivalents		18.0	5.5
Cash and cash equivalents at the beginning of the year		366.1	374.9
Effect of foreign exchange rate changes		6.0	(14.3)
Cash and cash equivalents at the end of the year	9(b)	390.1	366.1

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

1. General information

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

2. Basis of preparation of accounts

Basis of accounting

The financial information included in this document does not constitute the Group's statutory accounts for the years ended 31 December 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Company's annual general meeting. The auditor has reported on those accounts; their reports were unqualified and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis continues to be used in preparing these financial statements.

Basis of consolidation

The Group's consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

3. Segmental analysis

Analysis by geographical segment

	2010 £m	2009 £m
Revenue		
Europe	536.1	542.6
North America	259.0	318.0
Asia Pacific	113.4	87.1
	908.5	947.7
Operating profit		
Europe	120.7	123.2
North America	22.5	44.4
Asia Pacific	9.2	3.2
	152.4	170.8
Finance income	11.3	20.2
Finance costs	(22.4)	(34.5)
Profit before tax	141.3	156.5
Taxation	(33.7)	(46.9)
Profit of consolidated companies	107.6	109.6
Share of results of associates	1.5	1.8
Profit for the year	109.1	111.4

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

4. Other operating income

Other operating income represents receipts such as rental income, royalties, insurance proceeds, settlements from competitors and business relocation grants. Costs associated with such items are included in administrative expenses.

5. Finance income

	2010 £m	2009 £m
Interest receivable and similar income	1.9	3.4
Expected return on pension schemes' assets	9.4	6.5
Fair value gain on derivative instruments	-	9.0
Amortisation of discount on deferred consideration	-	1.3
	11.3	20.2

6. Finance costs

	2010 £m	2009 £m
Interest payable on bank loans	2.5	4.6
Interest payable on Eurobonds	10.5	11.5
Other interest payable	0.4	0.2
Amortisation of debt issue costs	1.2	0.9
Total borrowing costs	14.6	17.2
Fair value loss on derivative instruments	-	10.3
Interest cost on pension schemes' liabilities	7.8	7.0
	22.4	34.5

7. Earnings per share

	2010	2009
Adjusted basic	46.4p	49.2p
Basic	50.5p	51.8p
Diluted	50.3p	51.2p

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

	2010 No.(m)	2009 No.(m)
Weighted average shares in issue used for calculating basic and adjusted basic earnings per share	214.9	213.9
Contingently issuable shares	0.2	1.8
Issuable on exercise of options	0.6	0.7
Diluted weighted average shares in issue	215.7	216.4

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

	2010 £m	2009 £m
Profit for the year	109.1	111.4
Minority interests	(0.6)	(0.6)
Earnings for calculating basic and diluted earnings per share	**108.5**	**110.8**
Expected return on pension schemes' assets	(9.4)	(6.5)
Interest cost on pension schemes' liabilities	7.8	7.0
Amortisation of discount on deferred consideration	-	(1.3)
Fair value movement on derivative financial instruments	-	1.3
Tax on above items	0.5	(0.2)
Tax on capital related items	(6.0)	-
Prior year tax	(1.6)	(5.9)
Adjusted Earnings for calculating adjusted basic earnings per share	**99.8**	**105.2**

8. Dividends

	2010 £m	2009 £m
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2010 of 5.25p per share	11.3	-
Final dividend for the year ended 31 December 2009 of 10.0p per share	21.4	-
Interim dividend for the year ended 31 December 2009 of 5.0p per share	-	10.7
Final dividend for the year ended 31 December 2008 of 8.0p per share	-	17.1
	32.7	27.8

In respect of the current year, the directors propose that the final dividend of 10.5p per share amounting to £22.6m will be paid on 19 May 2011 to all shareholders on the Register of Members on 26 April 2011. This dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

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

9. Notes to the cash flow statement

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

	2010 £m	2009 £m
Operating profit	152.4	170.8
Adjustments for:		
Share-based compensation	(0.9)	(0.4)
Profit on sale of other non-current financial assets	(1.0)	-
Loss on sale of property, plant and equipment	0.2	-
Depreciation of property, plant and equipment	6.4	6.1
Amortisation of intangible assets	3.0	2.1
Decrease in provisions for liabilities and charges	(5.4)	(1.8)
Outflow from retirement benefit obligations	(8.8)	(8.1)
(Decrease)/increase in non-current liabilities	(1.1)	0.7
Operating cash flows before movement in working capital	144.8	169.4
(Increase)/decrease in trade and other receivables	(15.0)	4.4
Decrease/(increase) in net settlement balances	0.2	(0.2)
Increase/(decrease) in trade and other payables	5.6	(41.2)
Cash generated from operations	135.6	132.4
Income taxes paid	(27.5)	(30.4)
Interest paid	(13.4)	(16.7)
Net cash from operating activities	94.7	85.3

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less. As at 31 December 2010 cash and cash equivalents amounted to £390.1m (2009: £366.1m). Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and one week depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

10. Analysis of net funds

	At 1 January 2010 £m	Cash flow £m	Non-cash items £m	Exchange differences £m	At 31 December 2010 £m
Cash	189.7	49.2	-	3.5	242.4
Cash equivalents	173.6	(30.8)	-	2.5	145.3
Client settlement money	2.8	(0.4)	-	-	2.4
Cash and cash equivalents	366.1	18.0	-	6.0	390.1
Other current financial assets	30.1	5.2	-	0.3	35.6
Total funds	396.2	23.2	-	6.3	425.7
Bank loans within one year	(30.0)	30.0	(30.0)	-	(30.0)
Bank loans after one year	(209.1)	-	29.1	-	(180.0)
Loans due after one year	(147.6)	0.3	(0.3)	-	(147.6)
Finance leases	(0.5)	0.3	(0.2)	0.1	(0.3)
	(387.2)	30.6	(1.4)	0.1	(357.9)
Total net funds	9.0	53.8	(1.4)	6.4	67.8

Other current financial assets comprise short term government securities and term deposits held on deposits with banks and clearing organisations.

11. Events after the balance sheet date

On 8 February 2011, the Group entered into a new £235m credit agreement consisting of a £120m amortising term loan facility and a £115m committed revolving credit facility. These facilities replaced the previous facilities outstanding at that date, a £180m term loan and a £50m committed revolving credit facility that were due to mature in January 2012. The new term loan is subject to repayments of £30m in each of February 2012 and February 2013 with £60m maturing in February 2014. The committed revolving credit facility, which has not been drawn, will also mature in February 2014.

OTHER INFORMATION

The Annual General Meeting of Tullett Prebon plc will be held at Level 37, Tower 42, 25 Old Broad Street, London EC2N 1HQ on 12 May 2011 at 2.30pm.