TULLETT PREBON PLC

PRELIMINARY RESULTS – for the year ended 31 December 2012

Tullett Prebon plc today announced its preliminary results for the year ended 31 December 2012.

Financial Highlights

Underlying

- Revenue £850.8m (2011: £910.2m)
- Operating profit £126.0m (2011: £148.4m)
- Operating margin 14.8% (2011: 16.3%)
- Profit before tax £114.7m (2011: £136.1m)
- Basic EPS 40.5p (2011: 46.1p)

Exceptional items

- Charge relating to major legal actions £11.6m (2011: £6.6m)
- Restructuring costs £14.8m (2011: £11.5m)
- Charge related to impairment of goodwill £123.0m (2011: nil)

Reported

- Loss before tax £34.7m (2011: profit before tax £119.2m)
- Basic Loss per Share 27.1p (2011: EPS 41.3p)

Notes:

In order to give clarity to the operating performance of the business, the results are presented showing charges relating to exceptional items separately from the underlying results.

A table showing Underlying and Reported figures for each year is included in the Financial Review.

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

"Market conditions remained challenging throughout 2012 as the overall level of activity in the financial markets remained subdued. The financial results for 2012 demonstrate the benefit of the actions that have been taken to reduce costs and to maintain flexibility in the cost base, to strengthen the broking business in all three regions, and to continue to develop the Information Sales and Risk Management Services businesses.

Revenue in 2012 was 7% lower than reported for 2011. Underlying operating profit in 2012 was £126.0m, 15% lower than reported for 2011. With a reduction in the effective rate of tax on underlying profit to 24.0%, underlying basic earnings per share were 12% lower than last year at 40.5p.

The Board is recommending an unchanged final dividend of 11.25p per share, making the total dividend for the year 16.85p per share, an increase of 2% on the 16.5p per share paid for 2011. The final dividend will be payable on 16 May 2013 to shareholders on the register at close of business on 26 April 2013."

Terry Smith, Chief Executive, added:

"Market conditions are expected to continue to be challenging. The level of activity in financial markets was subdued throughout 2012, particularly during the second half, reflecting persistently low volatility despite the underlying fragility of the world economy. Our customers are operating in a more onerous regulatory environment and there is considerable uncertainty over the impact of new regulations covering the OTC markets. It is therefore prudent to expect that financial market activity will continue to be subdued.

We have taken action to reduce fixed costs and to maintain flexibility in the cost base. The benefits of these actions will continue to be realised in 2013, but are likely to be more than offset by the increased costs that will be incurred related to the regulatory readiness project. In 2012 we delivered a higher underlying operating profit margin than any of our sector peers from comparable activities.

The business has made a reasonable start to the year. Revenue in the first two months of 2013 is 5% lower than in the same period last year at constant exchange rates.

The business provides a valuable service to clients through its ability to create liquidity through price and volume discovery to facilitate trading in a wide range of financial instruments. We consider that the implementation of the reforms to the OTC markets will be positive for our business as the proposals formalise the role of the intermediary in these markets. We believe that we are well positioned to continue to provide a valuable service to clients."

Forward-looking statements:

This document contains forward-looking statements with respect to the financial condition, results and business of the Company. By their nature, forward looking statements involve risk and uncertainty and there may be subsequent variations to estimates. The Company's actual future results may differ materially from the results expressed or implied in these forward-looking statements.

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

Overview

Market conditions remained challenging throughout 2012 as the overall level of activity in the financial markets remained subdued, particularly during the second half of the year. The financial results for 2012 demonstrate the benefit of the actions that have been taken to reduce costs and to maintain flexibility in the cost base, to strengthen the broking business in all three regions, and to continue to develop the Information Sales and Risk Management Services businesses.

Little action has been taken to address the very serious fundamental issues facing the world's major economies. However, the concerted efforts of governments and supranational bodies to kick the metaphorical can down the road through quantitative easing, further flattening of yield curves and continuing to increase both government borrowing and government commitments to private sector borrowing, have served to reduce volatility in the financial markets. Volatility is one of the key drivers of activity in the financial markets, and reflecting the low levels of volatility throughout most of 2012, market activity in most of the asset classes in which the business operates was lower than in the prior year.

Market volumes during 2012 were also adversely affected by the more onerous regulatory environment applicable to many of our customers, in particular commercial and investment banks, and by the uncertainty over the impact of the impending new regulations covering the trade, settlement and reporting of OTC derivative contracts. Both factors have reduced our customers' ability and willingness to trade.

Revenue in 2012 was 7% lower than reported for 2011. At constant exchange rates, and excluding the acquisitions of Convenção and Chapdelaine, revenue was 10% lower. The effect on revenue of lower levels of activity in the financial markets was more marked during the second half of the year than during the first half. At constant exchange rates, and excluding the acquisitions of Convenção and Chapdelaine, revenue in the second half of the year was 15% lower than in the same period in the prior year.

In anticipation of the challenging market conditions and in light of the increased costs faced by the business relating to electronic platform development and other costs related to impending regulatory changes, action was taken at the end of 2011 and during the first half of 2012 to reduce fixed costs and to maintain flexibility in the cost base. These actions, which were designed to ensure that the business was well positioned to respond to less favourable market conditions by preserving the variable nature of broker compensation costs in relation to broking revenue, have been effective. Through this restructuring programme headcount was reduced by 220, over two-thirds from the front office, with an annual reduction in fixed costs of £30m. The costs associated with achieving these reductions are included as an exceptional item in the results.

We believe that we are well positioned to respond to and benefit from changes in the way in which OTC product markets operate as a result of the regulatory reforms of these markets in both the USA and Europe. Our view of the current status of the regulatory developments is set out below. These reforms reinforce the role of the

intermediary in the OTC markets, and we believe that the introduction of electronic platforms reflects an evolution of the facilitation service that the business provides, rather than fundamentally changing the way in which OTC markets operate. Significant expenditure is being incurred on the regulatory readiness project, which covers the development, launch and ongoing running costs of new electronic platforms and associated technology infrastructure, and additional compliance resources. In 2012 the charge in the income statement for these costs was less than 1% of total revenue, but for 2013 the costs related to the project are expected to represent around 2.5% of current annual revenue.

The Company has again been ranked as the overall number one interdealer broker in Risk magazine's 2012 annual interdealer rankings which were published in September. Dealers across the global wholesale banking market voted Tullett Prebon first place in 36 product categories, more than any other broker. This is the second time in three years that the Company has been ranked as the overall number one in the industry. In November the Company was named Best Broker for Forward FX (for the twelfth year running) and for Currency Options (for the second consecutive year) in the annual FX Week Best Bank Awards, and in December was named the inaugural Interdealer Broker of the Year at the Futures and Options World International Awards 2012. These awards reflect the business's delivery of flexible and innovative products, as well as best in class service.

We continued to take actions during the year to strengthen the broking business in all three regions. In Europe we opened an office in Madrid broking Fixed Income and Energy products and an office in Geneva broking Fixed Income products. We took full management control of our joint venture in Bahrain in the middle of the year, and we have recently further expanded our presence in the Middle East through the opening of an office in Dubai. The new senior management in the Americas have established a firm foundation for the business in the region. We completed the acquisition of the New York based Chapdelaine & Co., a leading municipal bond broking business in January 2012. Convenção, the interdealer broker business based in São Paulo, Brazil, which was acquired in August 2011, has continued to perform well and we have successfully expanded its activities to cover Equities and have increased headcount in other products. In Asia, we have invested in the development of the equity derivatives business in Hong Kong and in our activities in the offshore Renminbi market.

We have continued to expand our electronic broking offering through the development and launch of platforms which provide clients with the flexibility to transact either entirely electronically or via the business's comprehensive voice execution broker network. This hybrid model is consistent with the nature and operation of the majority of the OTC product markets which are not characterised by continuous trading, and which therefore depend upon the intervention and support of voice brokers for their liquidity and effective operation.

Our hybrid interest rate swap platform, tpSWAPDEAL, was launched at the end of 2011 in London supporting Euro denominated interest rate swaps. The interdealer market for interest rate swaps continues to be executed predominantly through voice brokers, but the platform shows streaming prices from our main liquidity providing

banks and the brokers are increasingly using the platform for order entry and trade capture.

The product coverage of tpCREDITDEAL was successfully increased during the year to include emerging market and sovereign bonds. The tpQUICKDEAL service, which offers clients focused liquidity ("auction") sessions with real time electronic trade matching, has been broadened during the year to cover more products that are not otherwise supported by a hybrid platform. tpSPOTDEAL, a specialist electronic trading venue for spot FX in G10 currency pairs in wholesale sizes, has started well following its launch during the second half of 2012, and has enhanced our existing spot FX voice model. tpCADDEAL, a hybrid platform supporting the broking of Canadian government bonds which was launched during the year, has become an integral part of the service provided by our Toronto office.

The pace of future platform launches in the USA will reflect the timing of regulatory requirements as well as market demand. We intend to launch platforms in the USA for those products which are within the scope of the swap and security-based swap execution facility rules after those rules have been published in final form.

The Information Sales business has continued to perform strongly. The business retained the title of Best Data Provider (Broker) at the Inside Market Data Awards in May. The award is determined by an independent poll of end-users in financial businesses and is a clear endorsement of the business's ability to deliver the highest quality independent price data from the global OTC markets. The business has continued to expand its geographic reach, its customer base and the breadth of data it offers to customers. During the year the business entered into a partnership agreement with an information services provider in India, and has become the first interdealer broker information provider to obtain a licence to distribute data in China. New data sets were introduced in the year covering the global OTC oil markets, equity derivatives, and a Solvency II benchmark curves service in cooperation with IDS GmbH, an Allianz company, aimed at the insurance and asset management sectors.

In the post trade Risk Management Services business, the tpMATCH platform, which assists clients in the management of interest rate risk, has continued to increase revenue through the expansion of the number of currencies supported and through further gains in market share. The tpMATCH NDF platform, which enables traders to reduce date mismatch risk on non-deliverable forwards, has delivered significant revenue in its first full year.

Revenue from products supported by electronic platforms, together with Information Sales and Risk Management Services revenue, has increased by 15% in 2012 compared with 2011, and accounts for 23% of total revenue for the year. As more electronic platforms are launched, and more products and services are added to existing platforms, the proportion of total revenue accounted for by products supported by electronic platforms is expected to continue to increase.

Our key financial and performance indicators for 2012 compared with those for 2011 are summarised in the table below. In order to give a more meaningful analysis of performance compared with the prior period, certain KPIs below are shown excluding Convenção and Chapdelaine.

	2012	**2011**	**Change**
Revenue	£850.8m	£910.2m	-7%
Underlying Operating profit	£126.0m	£148.4m	-15%
Underlying Operating margin	14.8%	16.3%	-1.5% points
Average broker headcount *	1,615	1,652	-2%
Average revenue per broker * (£'000)	479	524	-9%
Broker employment costs : broking revenue *	59.6%	59.6%	no change
Broker headcount (year end)	1,720	1,667	+3%
Broking support headcount (year end)	719	750	-4%

* excluding the acquisitions of Convenção and Chapdelaine

Underlying operating profit in 2012 was £126.0m, 15% lower than reported for 2011, with the underlying operating margin at 14.8%, 1.5% points lower than the 16.3% reported for 2011. Given that there is some operational leverage in the business, operating margins are adversely affected by lower levels of revenue, and the reduction in the underlying operating margin is primarily driven by the reduction in broking revenue.

The reduction in broking revenue primarily reflects the lower level of market activity. This is evidenced by the reduction in average revenue per broker which, at £479k for 2012, is 9% lower than for 2011. The reduction in average revenue per broker is similar in all three regions. Average headcount is 2% lower. Almost all of the reduction in average broker headcount is in North America.

Broker compensation costs as a percentage of broking revenue are unchanged reflecting the benefit of the actions taken to preserve the variable nature of broker compensation costs in relation to broking revenue. Other broking front office costs have increased but this has been offset by lower broking support costs, driven by a 4% reduction in headcount, and by the growth of the higher margin Information Sales and Risk Management Services businesses. The reduction in broking support headcount has been achieved despite an increase in the headcount in technology reflecting the investment being made in the development, launch and ongoing support of new electronic platforms and associated infrastructure.

The year end broker headcount of 1,720 includes the 85 brokers who joined the business through the acquisition of Chapdelaine, in addition to the brokers who have joined through the opening of new offices and other new hiring. This has more than offset the headcount that exited in the year through the restructuring programme.

Operating Review

The tables below analyse revenue by region and by product group, and underlying operating profit by region, for 2012 compared with 2011.

Revenue

In order to give a more meaningful analysis of revenue performance, the tables show the revenue from Convenção, which was acquired in August 2011, and from Chapdelaine, which was acquired in January 2012, separately. A significant proportion of the group's activity is conducted outside the UK and the reported revenue is therefore impacted by the movement in the foreign exchange rates used to translate the revenue from non-UK operations. The tables therefore show revenue for 2011 translated at the same exchange rates as those used for 2012, with growth rates calculated on the same basis. The revenue figures as reported are shown in note 3 to the Consolidated Financial Statements.

The commentary below reflects the presentation in the tables.

Revenue by product group	**2012** **£m**	**2011** **£m**	**Change**
Treasury Products	226.8	255.2	-11%
Interest Rate Derivatives	174.7	202.4	-14%
Fixed Income	224.2	256.2	-12%
Equities	41.7	48.7	-14%
Energy	106.3	106.2	+0%
Information Sales and Risk Management Services	45.8	39.1	+17%
	819.5	907.8	-10%
Convenção and Chapdelaine	31.3	4.5	
At constant exchange rates	850.8	912.3	-7%
Exchange translation		(2.1)	
Reported	850.8	910.2	-7%

At constant exchange rates, and excluding the revenue from Convenção and Chapdelaine, revenue was 10% lower in 2012 than in 2011.

Revenue from Treasury Products was 11% lower, reflecting lower activity in the FX and cash markets in North America, and the effect of lower levels of risk appetite in Asia which has reduced the volumes in non-deliverable forwards and FX options.

Revenue from Interest Rate Derivatives was 14% lower reflecting flatter yield curves and generally lower levels of market activity in emerging market products and in interest rate options.

The 12% decline in revenue in Fixed Income reflects lower levels of activity in the government and corporate bond markets in both Europe and North America.

Revenue in Equities is derived primarily from the broking of equity derivatives, and the 14% decline in revenue reflects the lower level of market activity in those products in both Europe and North America.

Revenue from Energy products was in line with the previous year, with growth in commodities, particularly base metals, offsetting the lower level of market activity in power and gas products. The oil desks in all three regions performed in line with the previous year.

The growth in revenue from Information Sales reflects the continued expansion of the customer base and increased demand from existing customers for additional data. In Risk Management Services the tpMATCH platform has continued to gain market share and the tpMATCH NDF platform has established significant revenue since its launch at the end of last year.

Revenue by region	**2012 £m**	**2011 £m**	**Change**
Europe and the Middle East	501.2	545.6	-8%
Americas	205.6	240.9	-15%
Asia Pacific	112.7	121.3	-7%
	819.5	907.8	-10%
Convenção and Chapdelaine	31.3	4.5	
At constant exchange rates	850.8	912.3	-7%
Exchange translation		(2.1)	
Reported	850.8	910.2	-7%

Europe and the Middle East

Revenue in 2012 in Europe and the Middle East was 8% lower than in 2011. Average broker headcount was little changed but average revenue per broker was 9% lower than in the prior year reflecting the lower level of market activity, particularly in the second half of the year. The region benefited from revenue generated from the opening of new offices in Continental Europe and the growth in the Information Sales business.

Revenue from Treasury Products was slightly lower than last year, with generally lower activity in forward FX offset by stronger volumes in cash deposits. Revenue from Interest Rate Derivatives was lower than in the previous year reflecting reduced market activity in emerging market products and in interest rate options. In Fixed Income, revenue from government bonds, repos and corporate bonds was lower than in the prior year, driven particularly by much more subdued market activity in the second half of the year. Revenue from exchange traded bond futures and options has continued to increase.

Revenue from Equities, the smallest product group in the region, was lower reflecting lower activity in equity derivatives. In Energy, the oil desks continued to perform well. The lower level of activity in power and gas was offset by growth in commodities, particularly base metals.

Americas

Revenue in the Americas in 2012, excluding the revenue from Convenção and Chapdelaine, was 15% lower than in 2011. Average broker headcount in the region (excluding those acquisitions) was 7% lower than in 2011, with average revenue per broker on the same basis down 9%.

Revenue in the traditional interdealer broker product markets of Treasury Products (FX and cash deposits), Interest Rate Derivatives, and Fixed Income (government and agency bonds including mortgage backed securities, and corporate bonds), was lower in 2012 than in 2011 reflecting the lower level of market activity. Average broker headcount in those areas was 12% lower in 2012 than in 2011.

Revenue in both Equities and Energy, which together represent around 15% of revenue in the region, was slightly higher in 2012 than in 2011, reflecting the continued development of these areas.

Convenção has performed well, benefiting from the active markets in Brazil and from the expansion of the business to cover Equities. Chapdelaine, a leading municipal bond broker in New York has also performed well since the completion of the acquisition at the beginning of 2012.

Asia Pacific

Revenue in Asia Pacific was 7% lower than in 2011, with an 11% fall in broking revenue partly offset by the growth of the Risk Management Services business which is operated from the region. The fall in broking revenue reflects lower market activity in Singapore and Tokyo, two of the three major centres in the region. Average broker headcount was little changed but average revenue per broker was 11% lower than in the previous year.

The lower revenue in Singapore reflects a generally lower level of market activity across all products in regional currencies. The market in Tokyo showed little recovery from the post earthquake level, although the rate of decline did slow in the second half of the year compared to the first half. Revenue in Hong Kong, the third major centre in the region, has continued to increase throughout the year, benefiting from the development of the markets for Renminbi products and from the investments we have made in the equity derivatives business in that centre.

Underlying Operating profit

The revenue, underlying operating profit and operating margin by region shown below are as reported.

£m	Revenue 2012	Revenue 2011	Revenue Change	Underlying Operating profit 2012	Underlying Operating profit 2011	Underlying Operating profit Change
Europe and the Middle East	501.2	548.3	-9%	111.7	124.6	-10%
Americas	236.9	242.5	-2%	2.4	9.1	-74%
Asia Pacific	112.7	119.4	-6%	11.9	14.7	-19%
Reported	850.8	910.2	-7%	126.0	148.4	-15%

Underlying Operating margin by region	**2012**	**2011**
Europe and the Middle East	22.3%	22.7%
Americas	1.0%	3.8%
Asia Pacific	10.6%	12.3%
	14.8%	16.3%

Underlying operating profit in Europe and the Middle East of £111.7m in 2012 is 10% lower than the prior year, and with revenue down 9% the underlying operating margin has reduced slightly, to 22.3%. Broker employment costs as a percentage of broking revenue are unchanged, and management and support costs in the region have been reduced. The underlying operating profit and margin reported for the region has benefited from the continued growth in the higher margin Information Sales business.

In the Americas underlying operating profit has reduced to £2.4m and the underlying operating margin has reduced to 1.0%. Broker employment costs as a percentage of revenue, excluding the acquisitions of Convenção and Chapdelaine, are unchanged compared with the prior year. The contribution to operating profit from Chapdelaine has been limited by the amortisation of the investment made in the brokers' contracts, and management and support costs in the region were higher than in 2011 as a result of the costs of regulatory readiness. Convenção in Brazil has achieved an underlying operating profit margin of 13% for the year.

Underlying operating profit in Asia Pacific has reduced by 19% to £11.9m, and the underlying operating margin in the region has reduced to 10.6% from 12.3%. The reduction in underlying operating profit and margin primarily reflects the lower level of broking revenue. Broker employment costs as a percentage of broking revenue were slightly lower in 2012 than in 2011, and broking management and support costs in the region have been reduced but not to the same extent as the reduction in revenue. The underlying operating margin in the region has benefited from the growth in the Risk Management Services business.

Litigation

Legal action continues to be pursued against BGC and former employees in the United States in response to the raid on the business by BGC in the second half of 2009. The FINRA arbitration on the claim brought by the subsidiary companies in the United States directly affected by the raid is expected to continue through the first half of this year. The outcome of the arbitration is expected to be determined before the end of the year. A separate action is being pursued by the Company and the directly affected subsidiaries in the New Jersey Superior Court, alleging, among other causes of action, violations under the NJ RICO Act. Depositions are being taken with respect to this action and the trial is expected to start before the end of the year.

The claim by BGC and certain of its affiliates, alleging that the Company misappropriated data supplied to its information sales subsidiary in violation of a redistribution agreement, was heard in arbitration under the rules of the American Arbitration Association. The arbitrator's award was that the Company should pay BGC $0.8m plus interest at the statutory rate from 1 January 2010. BGC's application for reasonable attorney's fees and costs was denied. In November 2012 the New York Court granted the Company's motion to confirm the award and denied BGC's motion to vacate the award. BGC have appealed those rulings to the New York State Appellate Division of the First Department.

The £11.6m charge relating to major legal actions which is included as an exceptional item in the 2012 results reflects the costs incurred in bringing and defending these actions net of the adjustment to the provision established in 2011 for the estimated cost of the resolution of the claim against the Company.

Goodwill Impairment

The carrying value of the goodwill attributed to each region is tested for impairment annually. The estimated value for each region is compared with the balance sheet carrying value of the region, including goodwill, and any shortfall is recognised as an impairment of goodwill. The value for each region is estimated based on value in use calculations reflecting projections of future cash flows and assumptions on growth rates and discount rates. Critically, the projections of future cash flows reflect the current performance and position of each business without taking into account further investment for growth or further action to reduce costs.

Despite the action that has been taken to rebuild the scale of the North American business since the raid in the second half of 2009, and to reduce costs, its performance weakened further during 2012. The estimated value for the North America region based on its current performance and position is £123.0m less than the balance sheet carrying value, and this has been recognised as an impairment of the goodwill attributed to the region.

This non-cash charge has no impact on the regulatory capital position of the Company or on any of its financing arrangements.

OTC Market Regulation

Progress continues to be made in the process of agreeing and implementing reforms designed to strengthen the financial system and to improve the operation of financial markets.

With respect to the operation of the OTC markets there are four broad themes to the reforms:

- the requirement that certain derivatives contracts be cleared through central counterparties (with exemptions for some non-financial market participants)
- the requirement for trades to be reported to trade repositories
- enhanced pre and post trade transparency
- the requirement that trades in derivatives contracts which are required to be cleared be executed through regulated execution venues (Swap Execution Facility (SEF) in the USA, and Organised Trading Facility (OTF) in Europe).

In the United States, the mandatory clearing of certain interest rate swaps and credit default index swaps is being phased in from March 2013. With respect to trade execution and reporting, although some key areas remain under discussion, the final rules relating to SEFs are expected to be issued imminently, and these rules are expected to come into force during this year. We are well prepared for the implementation of these rules. We are confident that we will qualify as a SEF and that we will be ready to offer trade execution services that are compliant with the rules as they take effect.

In Europe, the technical standards for the implementation of EMIR, which contains provisions governing mandatory clearing requirements and trade reporting requirements for derivatives, are expected to be published in March 2013 and to come into effect in 2014. The proposals to revise the Markets in Financial Instruments Directive (MiFID), through the introduction of a new directive (MiFID II) and a new regulation (MiFIR), continue to be negotiated. MiFID II and MiFIR will contain provisions governing permissible trade execution venues, governance and conduct of business requirements for trading venues, with implementation expected to be in 2015.

As we have previously commented, we agree with the objectives and support the direction of these reforms. We believe that their introduction will be positive for our business as the proposals formalise the role of the intermediary in the OTC markets.

Financial Review

The results for 2012 compared with those for 2011 are shown in the tables below.

2012

Profit and Loss £m	**Underlying**	**Exceptional Items**	**Reported**
Revenue	**850.8**		**850.8**
Operating profit	126.0		126.0
Charge relating to major legal actions		(11.6)	(11.6)
Restructuring costs		(14.8)	(14.8)
Goodwill impairment		(123.0)	(123.0)
Operating profit / (loss)	**126.0**	**(149.4)**	**(23.4)**
Finance income/(expense)	(11.3)		(11.3)
Profit / (loss) before tax	**114.7**	**(149.4)**	**(34.7)**
Tax	(27.5)	2.3	(25.2)
Associates	1.2		1.2
Minorities	(0.3)		(0.3)
Earnings	**88.1**	**(147.1)**	**(59.0)**
Average number of shares	217.6m		217.6m
Basic EPS / (LPS)	**40.5p**		**(27.1p)**

2011

Profit and Loss £m	**Underlying**	**Exceptional Items**	**Reported**
Revenue	**910.2**		**910.2**
Operating profit	148.4		148.4
Charge relating to major legal actions		(6.6)	(6.6)
Restructuring costs		(11.5)	(11.5)
Operating profit	**148.4**	**(18.1)**	**130.3**
Finance income/(expense)	(12.3)		(12.3)
Other gains and losses		1.2	1.2
Profit before tax	**136.1**	**(16.9)**	**119.2**
Tax	(36.9)	6.6	(30.3)
Associates	1.2		1.2
Minorities	(0.7)		(0.7)
Earnings	**99.7**	**(10.3)**	**89.4**
Average number of shares	216.5m		216.5m
Basic EPS	**46.1p**		**41.3p**

Finance income / (expense)

An analysis of the net finance expense is shown in the table below.

£m	2012	2011
Receivable on cash balances	1.8	2.3
Payable on Sterling Notes August 2014	(0.6)	(0.6)
Payable on Sterling Notes July 2016	(9.9)	(9.9)
Payable on Sterling Notes June 2019	(0.2)	-
Payable on bank facilities, including commitment fee	(4.5)	(5.1)
Amortisation of debt issue costs	(1.5)	(1.4)
Other interest	(0.2)	(0.3)
Net non-cash finance income/expense	3.8	2.7
	(11.3)	(12.3)

The net cash finance expense of £15.1m is little changed from the previous year. Lower interest and commitment fees payable on the bank facilities due to the lower average balance outstanding was offset by a decrease in the interest income on cash deposits. The interest on the £80m Sterling Notes June 2019 of £0.2m reflects the accrual for the period from 11 December 2012, the date of issue, to the year end. The Notes carry interest at 5.25% paid semi-annually in arrears.

The decrease in the net finance expense primarily reflects the higher net non-cash finance income. This comprises the net of the expected return and interest on pension scheme assets and liabilities of £4.6m (2011: £2.9m) partly offset by the amortisation of the discount on deferred consideration of £0.8m (2011: £0.2m).

The amended IAS 19 which sets out the accounting treatment for defined benefit pension schemes becomes effective for the group for 2013. The amended standard requires the expected return on scheme assets to be calculated using the discount rate applied to the liabilities. The 2012 figures will be restated to reflect the change. The restated net non-cash finance income for 2012 will be £0.9m compared with the £3.8m reported above, and the underlying operating profit will be reduced by £0.5m reflecting the administration costs of the scheme borne by the group.

Tax

The effective rate of tax on underlying PBT is 24.0% (2011: 27.1%). The 3.1% point reduction in the effective rate reflects the benefit of the reduction in the UK statutory rate of corporation tax to 24.5% for 2012, 2% points lower than for 2011, and the recovery of an amount of tax charged in the prior year in the USA.

The tax credit on exceptional items reflects the net tax relief recognised on those items at the relevant rate for the jurisdiction in which the charges are borne. The effective rate of tax relief on the exceptional items is low as there is no tax effect relating to the non-cash charge for the impairment of goodwill, and because no tax relief has been recognised on the exceptional charges arising in the USA due to the current low level of taxable profit in that jurisdiction.

Basic EPS

The average number of shares used for the basic EPS calculation is 217.6m. This reflects the 215.3m shares in issue at the beginning of the year, the 2.3m shares that were issued to the vendors of Primex as part of the final deferred consideration payment on 5 January 2012, plus 0.2m for the weighted average of shares that are issuable when vested options are exercised, less the 0.2m shares held during the year by the Employee Benefit Trust which has waived its rights to dividends.

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. The group's current 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**	
	2012	**2011**	**2012**	**2011**
US dollar	$1.59	$1.61	$1.63	$1.55
Euro	€1.23	€1.15	€1.23	€1.20
Singapore dollar	S$1.98	S$2.02	S$1.99	S$2.02
Japanese Yen	¥126	¥129	¥141	¥120

Cash flow

	2012 £m	**2011 £m**
Underlying Operating profit	126.0	148.4
Share based compensation	1.4	1.4
Depreciation and amortisation	11.8	8.8
EBITDA	139.2	158.6
Capital expenditure (net of disposals)	(17.6)	(12.4)
Increase in initial contract prepayment	(10.3)	(14.1)
Other working capital	(38.0)	4.7
Operating cash flow	73.3	136.8
Exceptional items – restructuring cash payments	(14.5)	(2.9)
Exceptional items – major legal actions net cash flow	(16.8)	(0.5)
Interest	(13.6)	(13.4)
Taxation	(27.3)	(34.2)
Dividends received from associates/(paid) to minorities	0.1	0.5
Defined benefit pension scheme administration expenses	(0.5)	(0.8)
Acquisitions / Investments	(10.9)	(16.1)
Cash flow	(10.2)	69.4

In 2012 the group has delivered an operating cash flow of £73.3m representing 58% (2011: 92%) of underlying operating profit.

The vast majority of the capital expenditure of £17.6m relates to investment in the development of electronic platforms and associated infrastructure as part of the regulatory readiness project.

The initial contract prepayment balance has increased as payments in the year, which includes amounts paid to brokers with the Chapdelaine business acquired in January 2012, were higher than the amortisation charge for the year.

The other working capital outflow in 2012 reflects the reduction in bonus creditors and other payroll related creditors at the end of 2012 compared with the balances at the end of 2011. The lower level of bonus accruals is due to the lower level of broking revenue throughout the second half of the year compared with the previous year, and the reduction in management and support staff bonuses which are paid annually.

The restructuring cash payments of £14.5m in 2012 includes payments relating to the profit and loss charges for restructuring costs in 2011 and in 2012. The remaining £4.9m of restructuring costs which have not yet been paid in cash are expected to be paid during 2013. The major legal actions net cash flow of £16.8m reflects the cash payments for legal costs made during the year.

Interest payments in 2012 reflect the profit and loss charge for net cash finance expenses excluding the charge for the amortisation of debt issue costs.

Tax payments in 2012 were lower than in 2011 reflecting the recovery of tax paid in previous years in the USA and lower payments in the UK and Asia due to the lower level of taxable profits.

Expenditure on acquisitions and investments in 2012 includes the payment for the acquisition of Chapdelaine and deferred consideration payments relating to the acquisitions of Convenção in Brazil, and Aspen.

The movement in cash and debt is summarised below.

£m	**Cash**	**Debt**	**Net**
At 31 December 2011	372.8	(265.7)	107.1
Cash flow	(10.2)	-	(10.2)
Dividends	(36.6)	-	(36.6)
Debt repayments	(90.1)	90.1	-
Issue of Sterling Notes June 2019	80.0	(80.0)	-
Debt issue costs	(1.3)	1.3	-
Amortisation of debt issue costs	-	(1.5)	(1.5)
Cash acquired with subsidiaries	2.5	-	2.5
Effect of movement in exchange rates	(5.3)	-	(5.3)
At 31 December 2012	311.8	(255.8)	56.0

At 31 December 2012 the group held cash, cash equivalents and other financial assets of £311.8m which exceeded the debt outstanding by £56.0m.

Debt Finance

The composition of the group's outstanding debt is summarised below.

£m	**At 31 Dec 2012**	**At 31 Dec 2011**
Bank amortising term loan	30.0	120.0
6.52% Sterling Notes August 2014	8.5	8.5
7.04% Sterling Notes July 2016	141.1	141.1
5.25% Sterling Notes June 2019	80.0	-
Finance leases	-	0.1
Unamortised debt issue costs	(3.8)	(4.0)
	255.8	265.7

The Company issued £80m of Sterling Notes with a coupon of 5.25% under its Euro Medium Term Note Programme into the retail market in December 2012. These Notes mature in June 2019.

The bank amortising term loan is subject to a repayment of £10m in February 2013 with the remaining £20m due in February 2014, when the group's existing bank facilities, including a committed £115m revolving credit facility, mature. The group is currently negotiating with its existing lenders the terms of a new revolving credit facility to replace the existing bank facilities before they mature.

The revolving credit facility remained undrawn throughout the year.

Pensions

The group has one defined benefit pension scheme in the UK following the merger during the year of the two schemes which were acquired with Tullett plc and Prebon Marshall Yamane. The scheme is closed to new members and future accrual.

During 2012 the market value of the scheme's assets has increased from £183.9m to £204.3m reflecting strong investment returns. Under IAS19 the value of the scheme's liabilities has increased from £148.4m to £162.9m, reflecting the unwinding of the discount in the year and the impact of a reduction in the discount rate. Under IAS19 the scheme shows a net surplus at 31 December 2012 of £41.4m (2011: £35.5m).

Return on capital employed

The return on capital employed (ROCE) in 2012 was 29% (2011: 37%). ROCE is calculated as underlying operating profit divided by the average capital employed in the business. Capital employed is defined as shareholders' funds less net funds and the net pension surplus, adding back cumulative amortised and impaired goodwill, and post tax reorganisation costs related to the integration of the Tullett and Prebon businesses.

Regulatory capital

The group's lead regulator is the Financial Services Authority ("FSA"). The group has an investment firm consolidation waiver which was approved by the FSA on 8 June 2011 and which will expire on 6 June 2016.

Many of the group's broking entities are regulated on a 'solo' basis, and are obliged to meet the regulatory capital requirements imposed by the local regulator of the jurisdiction in which they operate.

Outlook

Market conditions are expected to continue to be challenging. The level of activity in financial markets was subdued throughout 2012, particularly during the second half, reflecting persistently low volatility despite the underlying fragility of the world economy. Our customers are operating in a more onerous regulatory environment and there is considerable uncertainty over the impact of new regulations covering the OTC markets. It is therefore prudent to expect that financial market activity will continue to be subdued.

We have taken action to reduce fixed costs and to maintain flexibility in the cost base. The benefits of these actions will continue to be realised in 2013, but are likely to be more than offset by the increased costs that will be incurred related to the regulatory readiness project. In 2012 we delivered a higher underlying operating profit margin than any of our sector peers from comparable activities.

The business has made a reasonable start to the year. Revenue in the first two months of 2013 is 5% lower than in the same period last year at constant exchange rates.

The business provides a valuable service to clients through its ability to create liquidity through price and volume discovery to facilitate trading in a wide range of financial instruments. We consider that the implementation of the reforms to the OTC markets will be positive for our business as the proposals formalise the role of the intermediary in these markets. We believe that we are well positioned to continue to provide a valuable service to clients.

Consolidated Income Statement
for the year ended 31 December 2012

	Notes	2012 Underlying £m	2012 Exceptional items £m	2012 Total £m
Revenue	3	850.8	-	850.8
Administrative expenses	5	(731.8)	(149.4)	(881.2)
Other operating income	4	7.0	-	7.0
Operating profit/(loss)		126.0	(149.4)	(23.4)
Finance income	6	13.4	-	13.4
Finance costs	7	(24.7)	-	(24.7)
Profit/(loss) before tax		114.7	(149.4)	(34.7)
Taxation		(27.5)	2.3	(25.2)
Profit/(loss) of consolidated companies		87.2	(147.1)	(59.9)
Share of results of associates		1.2	-	1.2
Profit/(loss) for the year		88.4	(147.1)	(58.7)
Attributable to: Equity holders of the parent		88.1	(147.1)	(59.0)
Minority interests		0.3	-	0.3
		88.4	(147.1)	(58.7)
Earnings/(loss) per share - Basic	9	40.5p		(27.1p)
- Diluted	9	40.4p		(27.1p)

	Notes	2011 Total £m
Revenue	3	910.2
Administrative expenses		(803.5)
Other operating income	4	23.6
Operating profit		130.3
Finance income	6	12.8
Finance costs	7	(25.1)
Other gains and losses	8	1.2
Profit before tax		119.2
Taxation		(30.3)
Profit of consolidated companies		88.9
Share of results of associates		1.2
Profit for the year		90.1
Attributable to: Equity holders of the parent		89.4
Minority interests		0.7
		90.1
Earnings per share - Basic	9	41.3p
- Diluted	9	41.1p

Underlying earnings per share is disclosed in Note 9

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	2012 £m	2011 £m
(Loss)/profit for the year	(58.7)	90.1
Other comprehensive income:		
Revaluation of investments	0.5	(0.7)
Effect of changes in exchange rates on translation of foreign operations	(9.5)	0.2
Actuarial gains on defined benefit pension schemes	0.8	8.2
Taxation charge on components of other comprehensive income	(0.8)	(3.2)
Other comprehensive income for the year	(9.0)	4.5
Total comprehensive income for the year	(67.7)	94.6
Attributable to:		
Equity holders of the parent	(67.8)	93.8
Minority interests	0.1	0.8
	(67.7)	94.6

Consolidated Balance Sheet

as at 31 December 2012

	Notes	2012 £m	2011 £m
Non-current assets			
Goodwill	11	278.5	396.6
Other intangible assets		21.6	18.3
Property, plant and equipment		25.7	22.1
Interest in associates		3.8	3.4
Investments		6.2	7.4
Deferred tax assets		3.1	4.9
Retirement benefit assets		41.4	35.5
		380.3	488.2
Current assets			
Trade and other receivables		5,873.5	5,255.9
Financial assets		30.3	30.8
Cash and cash equivalents	14	281.5	342.0
		6,185.3	5,628.7
Total assets		6,565.6	6,116.9
Current liabilities			
Trade and other payables		(5,875.3)	(5,298.3)
Interest bearing loans and borrowings	14	(10.0)	(30.1)
Current tax liabilities		(27.8)	(36.7)
Short term provisions		(5.7)	(12.4)
		(5,918.8)	(5,377.5)
Net current assets		266.5	251.2
Non-current liabilities			
Interest bearing loans and borrowings	14	(245.8)	(235.6)
Deferred tax liabilities		(14.5)	(14.1)
Long term provisions		(5.6)	(6.4)
Other long term payables		(8.9)	(7.8)
		(274.8)	(263.9)
Total liabilities		(6,193.6)	(5,641.4)
Net assets		372.0	475.5
Equity			
Share capital		54.4	53.8
Share premium		17.1	9.9
Reverse acquisition reserve		(1,182.3)	(1,182.3)
Other reserves		131.5	148.4
Retained earnings		1,348.8	1,442.6
Equity attributable to equity holders of the parent		369.5	472.4
Minority interests		2.5	3.1
Total equity		372.0	475.5

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	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 2012	**53.8**	**9.9**	**(1,182.3)**	**7.7**	**1.9**	**121.5**	**17.4**	**(0.1)**	**1,442.6**	**472.4**	**3.1**	**475.5**
(Loss)/profit for the year	-	-	-	-	-	-	-	-	(59.0)	(59.0)	0.3	(58.7)
Other comprehensive income for the year	-	-	-	-	0.5	-	(9.7)	-	0.4	(8.8)	(0.2)	(9.0)
Total comprehensive income for the year	-	-	-	-	0.5	-	(9.7)	-	(58.6)	(67.8)	0.1	(67.7)
Issue of ordinary shares	0.6	7.2	-	-	-	-	-	-	-	7.8	-	7.8
Equity component of deferred consideration	-	-	-	(7.7)	-	-	-	-	-	(7.7)	-	(7.7)
Dividends paid	-	-	-	-	-	-	-	-	(36.6)	(36.6)	(0.6)	(37.2)
Decrease in minority equity interests	-	-	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Credit arising on share-based payment awards	-	-	-	-	-	-	-	-	1.4	1.4	-	1.4
Balance at 31 December 2012	**54.4**	**17.1**	**(1,182.3)**	**-**	**2.4**	**121.5**	**7.7**	**(0.1)**	**1,348.8**	**369.5**	**2.5**	**372.0**
Balance at 1 January 2011	**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**
Profit for the year	-	-	-	-	-	-	-	-	89.4	89.4	0.7	90.1
Other comprehensive income for the year	-	-	-	-	(0.7)	-	-	-	5.1	4.4	0.1	4.5
Total comprehensive income for the year	-	-	-	-	(0.7)	-	-	-	94.5	93.8	0.8	94.6
Equity component of deferred consideration	-	-	-	2.4	-	-	-	-	-	2.4	-	2.4
Dividends paid	-	-	-	-	-	-	-	-	(33.9)	(33.9)	(0.7)	(34.6)
Increase in minority equity interests	-	-	-	-	-	-	-	-	-	-	0.2	0.2
Credit arising on share-based payment awards	-	-	-	-	-	-	-	-	1.4	1.4	-	1.4
Taxation arising on share-based payment awards	-	-	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Balance at 31 December 2011	**53.8**	**9.9**	**(1,182.3)**	**7.7**	**1.9**	**121.5**	**17.4**	**(0.1)**	**1,442.6**	**472.4**	**3.1**	**475.5**

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	Notes	2012 £m	2011 £m
Net cash from operating activities	13	16.6	95.2
Investing activities			
(Purchase)/sale of financial assets		(0.2)	7.8
Interest received		1.6	2.2
Dividends from associates		0.7	1.2
Sale/(purchase) of investments		1.7	(3.5)
Expenditure on intangible fixed assets		(8.6)	(9.4)
Purchase of property, plant and equipment		(9.1)	(3.0)
Proceeds on disposal of property, plant and equipment		0.1	-
Investment in subsidiaries		(10.1)	(11.0)
Net cash used in investment activities		(23.9)	(15.7)
Financing activities			
Dividends paid	10	(36.6)	(33.9)
Dividends paid to minority interests		(0.6)	(0.7)
Repayment of debt		(90.0)	(210.0)
Funds received from debt issue		80.0	120.0
Debt issue costs		(1.3)	(3.4)
Repayment of obligations under finance leases		(0.1)	(0.2)
Net cash used in financing activities		(48.6)	(128.2)
Net decrease in cash and cash equivalents		(55.9)	(48.7)
Cash and cash equivalents at the beginning of the year		342.0	390.1
Effect of foreign exchange rate changes		(4.6)	0.6
Cash and cash equivalents at the end of the year	14	281.5	342.0

Notes to the Consolidated Financial Statements

for the year ended 31 December 2012

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 2012 or 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report 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.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2012

3. Segmental analysis

Analysis by geographical segment

	2012 £m	2011 £m
Revenue:		
Europe and the Middle East	501.2	548.3
Americas	236.9	242.5
Asia Pacific	112.7	119.4
	850.8	910.2
Operating profit:		
Europe and the Middle East	111.7	124.6
Americas	2.4	9.1
Asia Pacific	11.9	14.7
Underlying operating profit	126.0	148.4
Charge relating to major legal actions (1)	(11.6)	(6.6)
Restructuring costs (2)	(14.8)	(11.5)
Goodwill impairment (2)	(123.0)	-
Reported operating (loss)/profit	(23.4)	130.3
Finance income	13.4	12.8
Finance costs	(24.7)	(25.1)
Other gains and losses	-	1.2
(Loss)/profit before tax	(34.7)	119.2
Taxation	(25.2)	(30.3)
(Loss)/profit of consolidated companies	(59.9)	88.9
Share of results of associates	1.2	1.2
(Loss)/profit for the year	(58.7)	90.1

(1) Costs are included in administrative expenses. The charge in 2011 is net of amounts included in other income.
(2) Costs are included in administrative expenses.

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

Analysis by product group

Revenue	2012 £m	2011 £m
Treasury Products	229.8	255.7
Interest Rate Derivatives	185.2	204.1
Fixed Income	241.0	257.0
Equities	42.6	48.4
Energy	106.4	106.0
Information Sales and Risk Management Services	45.8	39.0
	850.8	910.2

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. Exceptional items

The exceptional items comprise restructuring costs of £14.8m relating to actions taken to reduce fixed costs, the charge relating to major legal actions of £11.6m, and the charge related to goodwill impairment of £123.0m (Note 11). Taxation on exceptional items amounted to a credit of £2.3m.

6. Finance income

	2012 £m	2011 £m
Interest receivable and similar income	1.8	2.3
Expected return on pension schemes' assets	11.6	10.5
	13.4	12.8

7. Finance costs

	2012 £m	2011 £m
Interest and fees payable on bank facilities	4.5	5.1
Interest payable on Sterling Notes August 2014	0.6	0.6
Interest payable on Sterling Notes July 2016	9.9	9.9
Interest payable on Sterling Notes June 2019	0.2	-
Other interest payable	0.2	0.3
Amortisation of debt issue costs	1.5	1.4
Total borrowing costs	16.9	17.3
Amortisation of discount on deferred consideration	0.8	0.2
Interest cost on pension schemes' liabilities	7.0	7.6
	24.7	25.1

8. Other gains and losses

	2012 £m	2011 £m
Fair value gain on the acquisition of controlling interests	-	0.3
Credit arising on adjustments to deferred consideration	-	0.9
	-	1.2

9. Earnings/(loss) per share

	2012	2011
Basic - underlying	40.5p	46.1p
Diluted - underlying	40.4p	45.8p
Basic (loss)/earnings per share	(27.1p)	41.3p
Diluted (loss)/earnings per share	(27.1p)	41.1p

The calculation of basic and diluted earnings/(loss) per share is based on the following number of shares:

	2012 No.(m)	2011 No.(m)
Basic weighted average shares	217.6	216.5
Contingently issuable shares	-	0.9
Issuable on exercise of options	0.2	0.3
Diluted weighted average shares	217.8	217.7

The earnings/(loss) used in the calculation of underlying, basic and diluted earnings/(loss) per share, are set out below:

	2012 £m	2011 £m
(Loss)/earnings for the year	(58.7)	90.1
Minority interests	(0.3)	(0.7)
(Loss)/earnings	**(59.0)**	**89.4**
Charge relating to major legal actions	11.6	6.6
Restructuring costs	14.8	11.5
Goodwill impairment	123.0	-
Other gains and losses	-	(1.2)
Tax on above items	(2.3)	(6.6)
Underlying Earnings	**88.1**	**99.7**

10. Dividends

	2012 £m	2011 £m
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2012 of 5.6p per share	12.1	-
Final dividend for the year ended 31 December 2011 of 11.25p per share	24.5	-
Interim dividend for the year ended 31 December 2011 of 5.25p per share	-	11.3
Final dividend for the year ended 31 December 2010 of 10.5p per share	-	22.6
	36.6	33.9

In respect of the current year, the directors propose that the final dividend of 11.25p per share amounting to £24.5m will be paid on 16 May 2013 to all shareholders on the Register of Members on 26 April 2013. 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 Benefit Trust 2007 have waived their rights to dividends.

11. Goodwill

	2012 £m	2011 £m
Carrying amount		
At 1 January	396.6	376.5
Recognised on acquisitions	9.2	20.3
Adjustments relating to deferred consideration	-	1.4
Impairment	(123.0)	-
Effect of movements in exchange rates	(4.3)	(1.6)
At 31 December	278.5	396.6

Goodwill arising through business combinations has been allocated to individual cash-generating units ('CGUs') for impairment testing as follows:

CGU	2012 £m	2011 £m
Europe and the Middle East	195.1	195.1
North America	51.5	168.0
Brazil	12.6	14.2
Asia Pacific	19.3	19.3
	278.5	396.6

Determining whether goodwill is impaired requires an estimation of the recoverable amount of each CGU. As at 31 December 2012 the recoverable amount of each of the CGUs has been based on value in use calculations. The key assumptions for the value in use calculations are those regarding expected cash flows arising in future periods, regional growth rates and the discount rates. Future cash flow projections are based on the most recent Board approved financial budgets for 2013 which are used to project cash flows for the next five years. After this period a steady state cash flow is used to derive a terminal value for the CGU. Goodwill has an indefinite life and this is reflected in the calculation of the CGU's terminal value. Estimated average growth rates, based on each region's constituent country growth rates as published by the World Bank, are used to estimate cash flows after the budgeted period. The growth rates used were 2% for Europe and the Middle East, and 3% for North America, Brazil and Asia. Resultant cash flows for Europe and the Middle East, Asia and Brazil have been discounted at a pre-tax discount rate of 11.5% (2011: 11.5%), and for North America have been discounted at 13.5% (2011: 11.5%) reflecting the higher level of uncertainty in the forecasts of that CGU's future cash flows.

The calculations of value in use for Europe and the Middle East, Asia Pacific and Brazil have been subject to stress tests demonstrating that the impairment test results are tolerant to reasonably possible changes in assumptions as to discount rate and future cash flows.

Despite the action that has been taken to rebuild the scale of the North American business since the raid in the second half of 2009, and to reduce costs, its performance weakened further during 2012. The estimated recoverable amount for the North America CGU is £123.0m less than the balance sheet carrying value, and this has been recognised as an impairment of the goodwill attributed to that CGU. The recoverable amount attributable to the North America CGU remains sensitive to future changes in the key valuation assumptions. A 1% increase in the discount rate would result in an additional impairment of around £8m.

12. Acquisitions

Subsidiaries acquired during the year

Chapdelaine & Co.
On 3 January 2012, the Group acquired 100% of the membership interests of Chapdelaine & Co, subsequently renamed Chapdelaine Tullett Prebon, LLC. The final consideration paid, including for assets acquired, was US$11.2m (£7.2m) in cash. Net liabilities with a fair value of US$0.7m (£0.4m) were acquired, comprising US$3.7m (£2.4m) cash, US$2.1m (£1.3m) intangible assets, US$0.8m (£0.6m) fixed assets, US$2.7m (£1.7m) trade and other receivables, US$4.7m (£3.0m) trade and other payables and US$5.3m (£3.4m) provisions. Goodwill arising on the acquisition was US$11.9m (£7.6m), attributable to the acquired workforce and the business's reputation. At 31 December 2012 goodwill was £7.3m as a result of changes in exchange rates. The Chapdelaine business has been fully integrated into the Group's operations, and it is therefore considered impractical to show the earnings for the period after the date of acquisition. Attributable revenue in the period since acquisition was £16.9m. Costs relating to the acquisition have been recognised in administrative expenses as incurred. Costs incurred in 2012 amounted to £0.1m with £0.3m having been expensed in 2011.

Other acquisitions
During 2012 the Group spent £0.4m in cash acquiring other interests on which a further estimated £1.0m in cash consideration, subject to performance conditions, is payable over the next four years. Net assets acquired were negligible resulting in goodwill of £1.4m. Cash acquired amounted to £0.1m.

13. Reconciliation of operating result to net cash from operating activities

	2012 £m	2011 £m
Operating (loss)/profit	(23.4)	130.3
Adjustments for:		
Share-based compensation expense	1.4	1.4
Depreciation of property, plant and equipment	5.5	5.5
Amortisation of intangible assets	6.3	3.3
Goodwill impairment	123.0	-
(Decrease)/increase in provisions for liabilities and charges	(10.4)	12.0
Outflow from retirement benefit obligations	(0.5)	(0.8)
Increase/(decrease) in non-current liabilities	2.8	(0.7)
Operating cash flows before movement in working capital	104.7	151.0
Increase in trade and other receivables	(4.9)	(4.7)
Increase in net settlement balances	(0.4)	-
Decrease in trade and other payables	(40.3)	(1.3)
Cash generated from operations	59.1	145.0
Income taxes paid	(27.3)	(34.2)
Interest paid	(15.2)	(15.6)
Net cash from operating activities	16.6	95.2

14. Analysis of net funds

	At 1 January 2012 £m	Cash flow £m	Non cash items £m	Exchange differences £m	At 31 December 2012 £m
Cash	240.2	(34.2)	-	(4.1)	201.9
Cash equivalents	100.0	(21.5)	-	(0.5)	78.0
Client settlement money	1.8	(0.2)	-	-	1.6
Cash and cash equivalents	342.0	(55.9)	-	(4.6)	281.5
Financial assets	30.8	0.2	-	(0.7)	30.3
Total funds	372.8	(55.7)	-	(5.3)	311.8
Bank loans within one year	(30.0)	20.0	-	-	(10.0)
Bank loans after one year	(87.6)	70.0	(1.1)	-	(18.7)
Notes due after one year	(148.0)	(78.7)	(0.4)	-	(227.1)
Finance leases	(0.1)	0.1	-	-	-
	(265.7)	11.4	(1.5)	-	(255.8)
Total net funds	107.1	(44.3)	(1.5)	(5.3)	56.0

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 2012 cash and cash equivalents amounted to £281.5m (2011: £342.0m). 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 three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

Financial assets comprise short term government securities and term deposits held with banks and clearing organisations.

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 9 May 2013 at 2.30pm.