TP ICAP PLC - TCAP Final Results
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TP ICAP PLC

Financial and Preliminary Management Report for the year ended 31 December 2019

TP ICAP plc (the "Company") today announces its results for the year ended 31 December 2019. In 2019, TP ICAP improved its underlying and reported operating profitability, despite the mixed geopolitical environment, whilst completing successfully the ICAP integration programme.

Operational performance

- Group revenue of £1,833m grew 4% on a reported basis (1% at constant currency).
- Group improved underlying and reported operating profitability.
- Global Broking revenue decreased 1% on a reported basis (3% at constant currency), as resilient Rates were offset by weaker Credit and Equities businesses.
- Energy & Commodities revenue increased 15% on a reported basis (11% at constant currency) with strong organic growth, strategic hires, Axiom acquisition and favourable markets.
- Institutional Services revenue increased 23% on a reported basis (21% at constant currency).
- Data & Analytics revenue increased 15% on a reported basis (11% at constant currency).

Strategic highlights

- Successfully completed the three-year ICAP integration programme, generating £80m in synergy savings.
- Increased earnings diversification through growth in non-broking businesses.
- Built a new executive leadership structure to streamline revenue generation.
- Evolved medium-term strategic themes focusing on aggregation, electronification and diversification.

Financial highlights

Underlying (before acquisition, disposal and integration costs, and exceptional items)

	2019	2018
Revenue	**£1,833m**	£1,763m
Operating profit	**£279m**	£276m
Operating margin	**15.2%**	15.7%
Profit before tax	**£230m**	£245m
Basic EPS	**33.8p**	34.2p

Statutory (after acquisition, disposal and integration costs, and exceptional items)

	2019	2018
Operating profit	**£142m**	£93m
Operating margin	**7.7%**	5.3%
Profit before tax	**£93m**	£62m
Basic EPS	**12.0p**	5.7p

A table showing Underlying and Statutory figures for each period, detailing the acquisition, disposal and integration costs, and exceptional items is included in the Financial Review.

The average number of shares used for the basic EPS calculation for the period is 559.4m.

Dividend
The Board declared an interim dividend of 5.6 pence per share paid on 8 November 2019 and is recommending a final dividend of 11.25 pence per share to be paid on 19 May 2020 (with a record date of 3 April 2020). Please see the Financial Calendar on the Company's website for further information on upcoming dividend timings, including dividend re-investment plan election dates.

Investor update
TP ICAP will provide the market with an Investor Update on the 17 June 2020.

Commenting on the results, Nicolas Breteau, Chief Executive of TP ICAP plc, said:
"These results mark an important inflexion point for TP ICAP. We have completed the three-year integration programme of the ICAP business that we acquired at the end of 2016 and achieved the planned commercial and cost synergies, emerging as the world's leading inter-dealer broker. We also spent last year strengthening our management team, enhancing our risk framework and developing our growth strategy based on aggregation, electronification and diversification. We have a powerful market position in Global Broking and three exciting growth businesses which we aim to develop strongly in the coming years.

"The overall macroeconomic backdrop remains uncertain driven largely by Covid-19, global growth and ongoing Brexit negotiations. While this environment impacts our clients' activity, the resulting volatility also creates market opportunities that gives us confidence for the future."

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.tpicap.com

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CEO review

Financial Performance

The Group delivered a resilient performance in 2019, with strong growth in our non-Global Broking businesses as our diversification strategy continued to bear fruit. While Global Broking faced challenging conditions in the first half of the year, as our main clients saw a significant drop in trading, we delivered a strong performance in the second half.

Revenues grew by 4% on a reported basis, 1% on a constant currency basis, to £1,833m. We achieved an underlying operating profit of £279m, up 1% on the prior year.

On a statutory basis, operating profit increased 53% to £142m from £93m in the prior year partially due to lower integration costs and lower impairment of intangible assets. Our underlying operating profit margin of 15.2% was 0.5% lower than in 2018 mainly due to foreign exchange headwinds. On a statutory basis, the operating margin was 7.7%, from 5.3% in the prior year. The margin improvement was partially offset by the settlement of two legacy legal cases for £18m.
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Regional performance

Performance across our regions was resilient, with all regions seeing growth in revenue on a reported basis. In EMEA, revenues were up 2%, on a reported basis, 1% on a constant currency basis, with growth in Energy & Commodities, Institutional Services and Data & Analytics, offsetting a small decline in Global Broking revenues. In the Americas, revenue was up 8% on a reported basis, 3% on a constant currency basis, driven by a strong performance in Energy & Commodities and revenue growth in Global Broking despite the difficult market conditions. In Asia Pacific, revenue grew by 2% on a reported basis, down 1% on a constant currency basis, as a very strong performance in Energy & Commodities offset a decline in Global Broking revenues.

Global Broking

Global Broking is our largest division covering Rates, Credit, Equities, Foreign Exchange & Money Markets, where we have market leading positions. We offer clients a range of ways to interact with us - through voice, hybrid or fully electronic venues - depending on the nature of the market, product and transaction.

Our current execution methodologies include: voice; voice and indication of interest screen; volume matching sessions; e-auctions; Request for Quote (RFQ); streaming; Central Limit Order Book (CLOB); algorithmic trading; and odd lot matching.

Global Broking delivered a resilient performance in 2019, as revenues increased in the second half following the first six months when a number of macro-issues had a negative impact on market volatility and volumes. We saw a strong pick up in markets in the third quarter with trading again slowing down in the fourth quarter. As a result, revenues for the 12 months were £1,262m down 1% on a reported basis from £1,272m in 2018, and 3% on a constant currency basis.

Despite the continued low interest rate environment, the Rates business, our largest asset class in Global Broking, performed well in the year, growing revenue from 2018, primarily due to a strong third quarter. Conditions in Credit, Equities, FX and Money Markets remained challenging as Credit suffered the impact of reduced issuance and there was subdued activity in the other asset classes.

During 2019 we reorganised and strengthened the management teams in London and New York, continued to hire key talent across our broking businesses as well as ensuring stability in existing teams.

Our focus remains on aggregating liquidity, which means providing the client with a single point of entry to multiple liquidity pools, and in developing our hybrid and pure electronic business. Allowing clients to access liquidity through one screen creates a superior user experience, giving them insight to a greater pool of liquidity via a login and connectivity. It benefits TP ICAP by using any one brand's leadership position in a product to improve the overall competitive position of the other brand.

In Rates, we successfully launched a hub for both brands in Singapore, Japan and Australia. The hub also provides an enhanced electronic workflow, making trade capture and Straight Through Processing (STP) seamless. In Credit, we have successfully run pure electronic matching sessions and launched two new platforms in the US during the first half of the year. One was a portfolio optimisation bond platform and the other was Crosstrade, which enables asset management firms to transition bonds between funds.

We are also diversifying our revenue streams. In June we launched a Digital Assets Markets business, initially operating in the cryptoasset derivatives space, and are currently exploring further opportunities to grow in this asset class. In December, we announced our intention to acquire Louis Capital Markets. Louis Capital specialises in cash equities and equity derivatives, fixed income and small cap advisory services. It has a strong franchise in Continental Europe and will complement our existing offering.

Our post-trade services group continues to perform well. In Matchbook, which helps our clients' manage basis risk in their trading portfolios, we are seeing strong profit growth. Matchbook is currently in the process of rolling out three new products. We acquired ClearCompress, a fintech company that provides a bilateral compression service in cleared and uncleared interest rate swaps, and that business is now trading and fully integrated into our Risk Management Services business.

We will maintain our commitment to increase the electronification and innovation to meet the changing demands of our client base.

Energy & Commodities

Energy & Commodities is our second largest division and operates through the Tullett Prebon, ICAP and PVM brands in all the key commodities markets including oil, gas, power, renewables, ferrous metals, base metals, precious metals, soft commodities and coal. Clients include regional banks, corporates, hedge funds and trading companies.

It was a strong year for the business with revenues up 15% on a reported basis (up 11% on a constant currency basis) at £379m, up from £331m in the prior year, due to a combination of positive markets, strategic hires and the acquisition of Axiom at the end of 2018. Oil revenues increased by 9% year on year, with increased market activity driven by events in the Middle East. Our Power and Gas businesses both had strong years with revenues up as they benefited from favourable market conditions.

The energy and commodities broking industry remains fragmented, with many smaller players, particularly in the US. Energy & Commodities has a core competency of acquiring and integrating acquisitions into its existing business and we believe there continue to be opportunities to do so, where such opportunities meet our investment criteria.

We continue to look to diversify our client offering. In April we hired a new team to run the ICAP Weather Derivatives business. In August we entered into a joint venture with Enmore Investment Group to offer brokerage in the Chinese OTC, cleared and physical commodities markets. While we see this as a long term investment opportunity, we are pleased with the progress so far. The JV has onboarded clients, is conducting trading activity predominantly in iron ore swaps and physical forwards and is making good progress on LPG and naphtha. We are actively looking to increase broker headcount.

Testing on our electronic whiteboard has progressed well and we will be looking to roll out it out to all brokers in 2020. The whiteboard enables the efficient capture of multiple data points from client interaction. When fully deployed it will enable better sharing of liquidity across the desks, automatic calculation of spreads, and STP of executed trades. It will also feed through to the machine learning application which is currently being tested with a small number of users across the division. This machine learning application will equip our brokers with tailored analytics, personalised feeds of news, pricing, historical patterns of activity and correlations, providing a better service to clients.

Institutional Services

Institutional Services (IS) provides venue agnostic, agency execution services to buy-side clients including hedge funds, asset managers, and other non-bank financial institutions.

IS assists clients in the increasingly complex task of trade and venue selection, order routing and post-trade analytics across listed derivatives, FX, government bonds, cleared interest rate swaps and, as of December 2019, cash equities. The year saw continued expansion of the client portfolio and, notably, significant progress in meeting demand for increased automation through the entire trade lifecycle.

While the non-bank, agency execution model remains in its infancy, we expect to see the total market size for this service type to grow. It is becoming an accepted proposition which reflects certain economic shifts on both the client and traditional dealer side as well as growing belief that post trade reporting can do more than meet regulatory minimums when provided by a non-risk taking agent. The changes are very pronounced in some markets where competitive pressures are seeing market structure become highly fluid.

The business had good momentum with full year revenues of £75m, up 23% on a reported basis, 21% on a constant currency basis, compared to 2018. Growth was driven by its client demand in our core product offering in FX, listed derivatives, relative value execution and cleared interest rate swaps. We are well positioned for further growth in 2020, driven by prudent geographic expansion of established business lines as well as expected traction in recently established new products. We also expect to see greater scale benefits resulting from improvements in our deployment of FIX messaging over the past year.

In addition to our existing growth initiatives, we will continue to hire individuals who will help us achieve our next growth objectives. We are pleased with our client acquisition rate, but it is evident that documentation backlogs across the industry are creating longer lead times to full client engagement.

While this may result in a lag in corresponding revenue expansion, we are comfortable that ultimately, this proves supportive for a substantial agency execution business such as IS with access to the broader resources of the TP ICAP Group.

Data & Analytics

Our Data & Analytics business provides unbiased data products that facilitate trading, enhance transparency, reduce risk and improve operational efficiency. We are a leading provider of neutral Over The Counter (OTC) pricing data. We have pricing, reference data and analytical tools for major asset classes and markets. We pride ourselves on our rigorous quality assurance processes, which ensure the integrity and robustness of our products. In 2019, we successfully unified Tullett Prebon, ICAP and PVM data distribution and beta tested our new FIX delivery service (known as SurFix) for client launch in H1 2020.

It was another strong year of growth for the Data & Analytics business, with a 15% revenue increase on a reported basis, 11% on a constant currency basis, to £135m, up from £117m in the prior year. Growth was driven by the launch of new products, through the acquisition of new clients and via expanding our relationship with existing clients, as well as seeing new regulatory requirements drive a growing demand for data.

New clients wins in 2019 include Non-Bank Liquidity providers, Hedge Funds, Asset Managers, Asset Owners, and Channel Partners spread across Europe, the Americas and Asia.

Our momentum in new product launches continued throughout the year, with 16 new products launched in 2019, compared to four in 2018. We continue to look to expand our distribution partners and in the year launched our first product on AWS Data Exchange. We have continued to strengthen the senior management team and during the year recruited a new Chief Technology Officer and a new head of Global Sales as well as building out the product management function and Channel Management functions.

While we are pleased with the growth momentum demonstrated by Data & Analytics, we believe that there is more value that can be captured by the business as we move up the value chain and we continue to see it as a key driver of TP ICAP's diversification strategy. While we have seen good organic growth within the D&A business, we see selective opportunities to accelerate that development.

Operational delivery

We outlined our four key priorities at the start of the year: completing the integration of the ICAP voice business; the implementation of a new global risk management framework; preparing for Brexit; and ensuring we had the right senior management team.

The integration

Since my appointment as CEO, I have been clear that the successful completion of the integration of the two businesses by the end of 2019 was a priority. I am pleased to say that this has been successfully completed. We have achieved a synergy run rate of £80m, against the revised target of £75m. We had previously stated that we expected the total cost of integration to be £160m, and in total integration costs were £164m.

The integration has been a significant focus of the business and, now complete, it provides the Group with an infrastructure that is scalable, will allow future innovation, and will allow us to streamline our post-trade processing to increase efficiency and reduce operational risk.

We have integrated senior management structures across the businesses, regions and corporate functions. We have introduced single HR and Finance platforms across the Group and have carried out a major office consolidation programme at key hubs including New York, Singapore, Hong Kong and for the Energy & Commodities business in London, and are due to move into our new London head office this year.

With regard to IT, we now have eight data centres globally, down from 15 and have migrated 245 business desks to the combined technology platforms, 131 of which were migrated this year. The build out of our shared service centre in Belfast continues and we now have just under 300 employees there carrying out a number of different functions including operations, IT services, HR and procurement.

We have stated our intention to reduce the number of legal entities within the Group. On completion of the ICAP transaction we had well over 200 separate legal entities, and we expect to reduce this number materially. The reduction in legal entities will simplify governance, accounting and audit processes as well as reduce future governance costs significantly. It will also streamline internal liquidity management making the flow of funds within the group easier and more efficient.

The senior management team

One of my first priorities upon appointment was to establish a strong senior management team that could drive the business forward. This team was in place at the start of 2019, and I have since focused on strengthening the next layer of management to help implement and drive our new growth strategy, as well as ensuring we had the right structure and reporting lines for the company.

We have been fortunate to hire a number of experienced and high calibre individuals to help drive our strategy. In 2019 we hired a new Global Head of Strategy, Global Head of HR, Chief Information Officer and Group Head of Compliance and early in 2020 hired a new Chief Transformation Officer, who will be responsible for putting in place the implementation plan for our strategy.

We will be broadening our existing geographic operating profit disclosure. From now, we will be reporting underlying operating profit for each business line.

Responsibility for revenue generation naturally sits with the four global business divisions who are more closely aligned with their clients and needs. We have appointed regional CEOs to oversee culture, risk, governance and the regional maintenance functions to ensure that the support and control infrastructure in each region has the capability to assist revenue generation and enhance the success of our business.

These new appointments strengthen our governance significantly, resulting in a more streamlined senior management team with clearer responsibilities and accountability.

New risk framework

In 2019, we undertook a review of our global risk management framework to take into account the increased scale and diversity of our business and to respond to regulatory expectations. As a result of this work, we introduced our new Enterprise Risk Management Framework (ERMF) in the second half of the year.

The ERMF comprises of three mutually reinforcing components: a sound risk management structure, a comprehensive risk management and governance structure, and a range of risk management processes. The Group is undertaking a range of actions to develop and embed its risk management framework in response to changes in the business and regulatory feedback. The framework continues to evolve with the objective of improving the Group's risk management capability and supporting the delivery of the Group's business strategy.

A robust risk framework will enable us to play our role in maintaining the integrity and professionalism of the markets where we operate. It is also a competitive differentiator, particularly as we go out to win new clients who in their selection of service providers look beyond liquidity and pricing.

Brexit

Preparation for all Brexit eventualities has been a critical focus for TP ICAP. Ensuring that we are in a position to continue to service our clients has been a significant regulatory and operational challenge.

To achieve this, we have set up and capitalised a new company in Paris, called TP ICAP Europe, and moved our French, German, Spanish and Danish trading branches to sit under this company. This means that the business we currently transact from these offices is protected in the event of a hard Brexit.

We have set up three new EU venues - one multilateral trading facility (MTF) and two organised trading facilities (OTF) - so that our EU activity can be conducted on MiFID II compliant venues. These venues are now authorised and conducting business.

For the business we transact for EU based clients through our broking desks located in the UK, we have plans in place to protect this business by putting more front office staff in our EU offices and changing some of our workflows.

We are yet to know what the terms of leaving are and how that may impact our business but are prepared for all presently foreseeable outcomes. In the meantime, we continue to liaise with our clients to understand what plans they have so that we can continue to provide them with a high quality service. Ultimately, the distribution of our brokers between the UK and EU will depend on our clients' requirements but with the proposed acquisition of Louis Capital, which we announced in December, we will significantly increase our footprint in Continental Europe with an additional 70 brokers. We continue to expect the UK to remain a major centre for financial, energy and commodities markets.

Building the business of the future

Our goal is to be the world's largest provider of inter-dealer OTC marketplaces by ensuring that our offering evolves, and remains relevant to our customers. Additionally, we plan to continue to diversify our earnings by expanding the product range and customer base for our data and analytics offering, as well as for our institutional agency broking services.

The markets in which we operate are changing, as are the demands of our customers, and it is imperative that we adapt to capitalise on these changes. We have previously identified the following as the key pillars of our strategic framework:

- Electronification and technology;
- Liquidity aggregation;
- Diversification; and
- People, conduct and compliance.

The Group's key financial performance indicators include:

- Revenue growth;
- Earnings diversification (i.e. earnings growth excluding Global Broking growth);
- Contribution margin;
- Underlying operating profit margin; and
- Underlying earnings per share.

Electronification and technology

We intend to grow our profits by improving the efficiency of our client-facing services and internal operations across the Group. The integration we have just completed represents a major step on our technology journey as we eliminated legacy platforms and begin streamlining our processes.

We will introduce new technology to add value to our clients: from onboarding new customers, to streamlining the trade lifecycle. The degree and manner of electronification will depend on the nature of the market and product.

Liquidity aggregation
In 2019 we were the largest inter-dealer broker by revenue, and we intend to remain a global leader by using technology to improve market depth - specifically, our customers' ability to access, and interact with, the liquidity available across the Group's separate and competing brands.

Diversification
We will seek to continue to leverage our OTC markets expertise and capability to further diversify our revenues. The Group aims to continue to invest in Data & Analytics division where we are already a leading provider of OTC data products and services. We accelerated the introduction of new products in 2019, and aim to launch additional datasets, to grow the customer base for our data, as well as to create and commercialise a suite of more sophisticated value-added analytics products, targeted at a growing number of regulatory and other use cases.

The majority of our execution-related revenues derive from customers in the inter-dealer market. However, through our Institutional Services division, we have been growing our presence in the institutional market (i.e. asset managers and hedge funds). We will continue to invest in this business, by expanding our product and regional footprint, and broadening and deepening our customer relationships.

People, conduct and compliance
The Group aims to continue to attract, develop and retain the best-in-class for our staff and provide a respectful and enjoyable workplace for our colleagues that supports innovation, high performance with continuing personal and professional development. A robust culture of conduct and compliance is essential to our position as a trusted operator in highly regulated markets. In 2019, we appointed our regional CEOs whose focus includes ensuring high standards of conduct, compliance and improve the communication with various regulatory bodies.

Introduction of a new Jersey incorporated holding company

TP ICAP has seen meaningful growth in the size of its Asia Pacific and Americas business due to the acquisition of ICAP in 2016. As a result, the Board has reviewed the appropriateness of the Group's international corporate and governance structure. Following the review, we are proposing to incorporate a new Group holding company in Jersey. The proposed new structure is subject to shareholder and regulatory approvals.

We believe that the proposal will result in a corporate structure that should provide greater financial flexibility for the Group, support the effective governance of the business and improve the competitiveness of the Group. As a key part of the proposal, the Group's tax domicile and location of its primary stock exchange listing would remain in the UK. Shares in the new Group holding would continue to be listed on the Premium segment of the Main Market of the London Stock Exchange and are expected to be eligible for FTSE index inclusion.

We do not believe our credit rating or outstanding bonds will be affected by the proposal, and nor do we expect there to be any impact on the location of employees. We intend to publish a prospectus and circular summarising the proposal in Q2 2020 and, subject to receiving the requisite third party consents we expect the domiciliation to be complete before the end of H1 2020.

Coronavirus

At the time of writing we have seen an increase in the number of people who have been infected with Covid-19, or the coronavirus, in many parts of the world. The situation is constantly evolving, and we are monitoring its global spread.

Our people are our business, and we are doing all that we can to safeguard them. In line with best practice guidelines we have put precautions and measures in place including travel restrictions and self-quarantine requirements. These measures will adapt and change as we receive advice from health organisations and governments and in this way we will endeavour to ensure the wellbeing of all our colleagues, their families and others, as well as continue to provide unbroken service to our clients.

Near term outlook

The overall macroeconomic backdrop remains uncertain driven largely by Covid-19, global growth and ongoing Brexit negotiations. While this environment impacts our clients' activity, the resulting volatility also creates market opportunities that give us confidence for the future.

Concluding comments

I am pleased with the progress we have made in 2019. We delivered on our four priorities and have made significant strides in developing the strategy that will ensure we can deliver sustainable, profitable growth in the future. I am excited about the opportunities for TP ICAP. We have achieved a considerable amount in the past 12 months and this has only been possible through the hard work and dedication of our employees. I would like to thank them all for their very valuable contribution throughout the year.

Nicolas Breteau
Chief Executive
10 March 2020

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Financial Review

Statutory Income Statement

2019 **£m**	**Underlying**	**Acquisition, disposal & integration costs**	**Exceptional items**	**Statutory**
Revenue	1,833	-	-	1,833
Operating profit	279	-	-	279
Net charge relating to legal settlements	-	-	(10)	(10)
ICAP integration costs	-	(34)	-	(34)
Impairment of intangible assets arising on consolidation	-	(24)	-	(24)
Amortisation of intangible assets arising on consolidation	-	(42)	-	(42)
Adjustments to acquisition consideration	-	(6)	-	(6)
Charge relating to employee long-term benefits	-	-	(5)	(5)
Charge relating to business reorganisation	-	-	(7)	(7)
Other acquisition and disposal items	-	(9)	-	(9)
Operating profit	279	(115)	(22)	142
Net finance expense	(49)	-	-	(49)
Profit before tax	230	(115)	(22)	93
Tax	(55)	15	-	(40)
Share of net profit of associates and joint ventures	15	-	-	15
Non-controlling interests	(1)	-	-	(1)
Earnings	189	(100)	(22)	67
Average number of shares	559.4m			559.4m
Basic EPS	33.8p			12.0p

2018 £m	Underlying	Acquisition, disposal & integration costs	Exceptional items	Statutory
Revenue	1,763	-	-	1,763
Operating profit	276	-	-	276
Net charge relating to legal settlements	-	-	(3)	(3)
ICAP integration costs	-	(44)	-	(44)
Remeasurement of deferred consideration	-	(5)	-	(5)
Impairment of intangible assets arising on consolidation	-	(65)	-	(65)
Impairment of associate interest	-	(3)	-	(3)
Amortisation of intangible assets arising on consolidation	-	(40)	-	(40)
Charge relating to employee long-term benefits	-	-	(2)	(2)
Charge relating to business reorganization	-	-	(18)	(18)
Other items	-	(3)	-	(3)
Operating profit	276	(160)	(23)	93
Net finance expense	(31)	-	-	(31)
Profit before tax	245	(160)	(23)	62
Tax	(63)	20	4	(39)
Share of net profit of associates and joint ventures	12	-	-	12
Non-controlling interests	(3)	-	-	(3)
Earnings	191	(140)	(19)	32
Average number of shares	558.5m			558.5m
Basic EPS	34.2p			5.7p
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Our key financial and performance indicators for 2019 are summarised in the table below together with comparatives from the equivalent period in 2018 on a reported basis.

	2019	2018	Change
Total revenue	**£1,833m**	£1,763m	+4%
Operating profit:			
- Underlying	**£279m**	£276m	+1%
- Underlying margin	**15.2%**	15.7%	-0.5% pts
- Statutory	**£142m**	£93m	+53%
- Statutory margin	**7.7%**	5.3%	+2.4% pts
Contribution:			
- Broking*	**£626m**	£624m	+0%
- Broking margin	**36.4%**	37.5%	-1.1% pts
- Data & Analytics*	**£68m**	£55m	+24%
- Data & Analytics margin	**50.4%**	47.0%	+3.4% pts
Total contribution	**£694m**	£679m	+2%
Underlying operating profit margin (%):			
- Global Broking	**17.5%**	19.9%	-2.4% pts
- Energy & Commodities	**12.0%**	9.6%	+2.4% pts
- Institutional Services	**4.0%**	1.6%	+2.4% pts
- Data & Analytics	**43.7%**	41.9%	+1.8% pts
Average:			
- broker headcount	**2,740**	2,727	+0%
- revenue per broker** (£'000)	**620**	604	+3%
- contribution per broker*** (£'000)	**228**	229	-0%
Period end:			
- Broker headcount	**2,784**	2,671	+4%
- Broker support headcount	**1,824**	1,704	+7%
- Other support headcount	**300**	369	-19%
Broker compensation costs : broking revenue****	**53.1%**	52.2%	+0.9% pts

* Broking and Data & Analytics contribution and contribution margins are defined in the Contribution & Underlying Profit by Division section. Prior year figures have been restated due to inter-division revenues in Global Broking and Energy & Commodities, and inter-division front-office costs in Data & Analytics.

** Average revenue per broker is defined as Total Broking revenues excluding inter-division revenues divided by average broker headcount.

*** Average contribution per broker represents broking contribution (as defined in the Contribution section) divided by the average broker headcount.

**** Broker compensation costs : broking revenue is defined as Total Broking compensation costs divided by Broking revenues excluding inter-division revenues.

Average broker headcount was in line to 2,740 in 2019 from 2,727 in 2018, but with 3% increase in average revenue per broker, the resulting broking revenue was 3% higher than 2018 on a reported basis.

The period-end broking support headcount increased by 7% primarily reflecting in-sourcing (including Belfast), and investing in Risk and Compliance functions as a response to increasing regulatory demands.

The tables that follow analyse revenue by business division as well as revenue and underlying operating profit by region for 2019 compared with the equivalent period in 2018, on a reported basis. The table also shows the change on a constant currency basis.

A significant portion of the Group's activity is conducted outside the UK and the statutory revenue is therefore impacted by the movement in the foreign exchange rates used to translate the revenue from non-UK operations. The comparative data in the tables below therefore shows the statutory revenue change, but also the constant currency basis, where the revenues are translated at the same exchange rates as those used for 2018.

Revenue

Total revenue of £1,833m in 2019 was 4% higher than 2018 on a reported basis, and 1% higher at constant currency.

Revenue by business division

£m	**2019**	2018	Reported Change	Constant Currency Change
Rates*	**537**	523	+3%	+1%
Credit	**94**	101	-7%	-10%

FX & Money Markets	**201**	207	-3%	-5%
Emerging Markets	**213**	213	+0%	-2%
Equities	**199**	210	-5%	-7%
Inter-division revenues**	**18**	18	0%	0%
Global Broking total	**1,262**	1,272	-1%	-3%
Energy & Commodities	**379**	331	+15%	+11%
Inter-division revenues***	**3**	2	+50%	+50%
Energy & Commodities total	**382**	333	+15%	+11%
Institutional Services total*	**75**	61	+23%	+21%
Data & Analytics total	**135**	117	+15%	+11%
Inter-division eliminations***	**(21)**	(20)	+5%	+5%
Total Revenue	**1,833**	1,763	+4%	+1%

* For 2018 £24m of revenues have been reclassified from Rates business into Institutional Services as the Global Broking Relative Value (RV) Rates businesses have been reclassified to move all RV desks under Institutional Services. This is to reflect the mechanics of the underlying business.

** Institutional Services growth rate would have been 21% and 19% on a reported and constant currency basis respectively excluding the aforementioned move of the RV desks.

*** Inter-division charges have been made by Global Broking and Energy & Commodities to reflect the value of proprietary data provided to the Data & Analytics division. Previous year has been restated in line with the new presentation format. The broking inter-segmental revenues and Data & Analytics inter-segmental costs are eliminated upon the consolidation of the Group financial results.

Conditions in financial markets have generally been challenging in 2019 with an uncertain environment across the world. Muted volatility and a flattening yield curve are generally negative pressure for our broking divisions. Despite this macroeconomic backdrop, Global Broking Rates, Energy & Commodities, Data & Analytics and Institutional Services performance was strong but was offset by subdued performances in Global Broking's Credit, Equities and FX & Money Markets.

Inter-division revenue has been recognised in Global Broking and Energy & Commodities to identify the value of data provided to the Data & Analytics division. Additionally, the Relative Value (RV) businesses from the Rates division in Global Broking have been reclassified to move all RV desks within the Group under Institutional Services. This leads to a £24m 2018 revenue reclassification from Global Broking Rates to Institutional Services.

Global Broking revenues were -1% on a reported basis (-3% on a constant currency basis) with Rates division growing by 3% on reported basis (+1% on constant currency basis). Conditions in credit markets continue to remain challenging, with a number of new competitors, lack of new issuance as well as restrictions on clients' balance sheets, resulting in a reduction in Credit revenue of -7% on a reported basis (-10% on a constant currency basis). Equities and FX & Money Markets both saw revenue declines of -5% (-7% on a constant currency basis) and -3% (-5% on constant currency basis) respectively compared with prior year due to subdued client activity on lower volume and volatility

Energy & Commodities revenue increased +15% on a reported basis (+11% on a constant currency basis) compared to 2018 on a reported basis due to a combination of positive markets, strategic hires and the acquisition of Axiom at the end of 2018. Oil revenues increased by 9% year-on-year, with increased market activity driven by events in the Middle East. Separately, Power & Gas businesses both reported strong revenue growth as they benefitted from favourable market conditions.

Institutional Services revenue has grown by 23% (+21% on a constant currency basis) compared to 2018 at reported basis. The business performed well in its core products with higher client appetite in relative value execution, FX, listed derivatives, and cleared interest rate swaps. This was led by client demand resulting from changing market dynamics as investment banks reorganise their sales coverage teams. New hires and continued improvement in client onboarding processes have also improved the performance of the business. As explained above; the Relative Value desk from the Rates division in Global Broking has been reclassified to move all RV desks under Institutional Services. The business would have grown 21% and 19% on a reported and constant currency basis, excluding this reclassification.

Data & Analytics revenue was 15% higher than 2018 at reported basis (11% at constant currency basis) with the business executing a number of targeted organic growth opportunities during the year that have enabled it to monetise more proprietary data by releasing a higher number of new products with a larger salesforce. In addition, the division continued to win a number of new clients across hedge funds, sovereign wealth funds, market data vendors and independent software vendors. Inter-segmental charges have been made by Global Broking and Energy & Commodities to reflect the value of proprietary data provided to the Data & Analytics division. These inter-division charges are based on commercial terms benchmarked against third party rates and rates charged by TP ICAP's broking desks to third parties.

The broking inter-division revenues and Data & Analytics inter-division costs are eliminated upon the consolidation of the Group financial results.

Revenue by region

£m

	2019	2018	Reported Change	Constant Currency Change
EMEA	**900**	886	+2%	+1%
Americas	**687**	636	+8%	+3%
Asia Pacific	**246**	241	+2%	-1%
Total Revenue	**1,833**	1,763	+4%	+1%

EMEA

Revenue for the region increased by 2% in 2019 compared with 2018 on a reported basis (+1% at constant currency basis). Global Broking revenue declined slightly, with Rates being the only asset class to increase revenues year-on-year. The other four asset classes saw small revenue declines. The first half of the year saw a Brexit-related deadlock leading to a lack of volatility and lower volumes amidst uncertainty. Equally, the prospect of additional quantitative easing throughout Europe were additional headwinds. However, the third quarter was better with a significant leap in volatility and trading volumes, with macro-economic developments around the UK elections, US/China trade war and the first Federal reserve rate cut in 11 years, all contributing to higher volumes.

Revenue from Energy & Commodities increased slightly in the region year-on-year with both Tullett Prebon and ICAP brands reported good revenue growth, partially offset by declines in PVM. The growth came from fuel oil & middle distillates, precious metals, power & gas, coals, liquefied natural gas ('LNG') and gasoil physical.

Institutional Services saw a 25% year-on-year increase. This was due to COEX growth, specifically in FX options with a larger clientele. Market conditions have been overall favourable.

Americas

Americas increased revenues by 8% in 2019 versus 2018 on a reported basis (+3% at constant currency basis). This was despite difficult market conditions for TP ICAP's traditional Global Broking business. Within the Global Broking business, general market conditions worsened during 2018 due to a material volatility decrease leading to reduced client appetite. Rates revenues increased by 2% as USD swaps and Treasuries markets strengthened in the second half of the year.

Rates continues to be Americas' largest asset class. Americas' Equities revenue was down 6% year-on-year in spite of new product development. This was due to lower volumes and volatility in US Equities market. However, this product continues to be an area of investment and new product expansion. Emerging Markets and FX & Money Markets businesses saw small revenue declines in 2019. This was due to lower volatility levels, client de-risking in Forward FX, and some new competitors in Local markets. US fixed income markets remained subdued, as TP ICAP reported single-digit revenue decline.

The Americas' Energy & Commodities business performed strongly, with a 23% revenue increase. There were increased revenues in oil products and ethanol bolstered by the acquisition of Axiom Commodities in November 2018. In addition, we saw strong organic growth in our traditional power and gas businesses. Energy & Commodities continues to be a targeted growth area for TP ICAP Americas across all our brands.

Finally, TP ICAP's Institutional Services performed strongly in 2019. The business continues to expand its product offerings and it remains an area for growth opportunities.

Asia Pacific

Revenue in Asia Pacific in 2019 versus 2018 increased 2% on a reported basis (-1% at constant currency basis). This reflects difficult conditions in Global Broking business, offset by very strong revenue growth in Energy & Commodities. Global Broking revenues in the region declined 8% year-on-year with both Tullett Prebon and ICAP brands reporting lower figures compared with 2018. For Tullett Prebon, the decline primarily reflects the departure of certain credit brokers at the end of 2018. Hong Kong business was impacted from subdued equity derivatives markets and lower FX activity. In Singapore, rates business was affected by quieter markets and personnel changes. Japan saw some revenue decline due to fewer central bank stimulating actions compared to the prior year. For the ICAP brand, revenues dropped 6%, mainly due to the discontinuation of the Korea office in Q1, and the end-2018 closure of Indonesia office. Within specific countries, the ICAP brand saw meaningful increases in rates revenues in Hong Kong and Singapore, partially offset by subdued equity derivatives markets in Hong Kong and Japan. In Australia, we saw significant improvements as the brand recovers post the broker departures in 2017.

Overall, conditions in the Energy & Commodities markets in the region were favourable and revenues from these products grew strongly by 31% year-on-year. The Tullett Prebon and PVM brands enjoyed strong revenue increase, supported by the fuel oil business, gasoline and LNG. The ICAP brand benefitted from increased activity in iron ore options. Moreover, the Australian energy business increased revenue by 61%, with strong electricity revenues supported by favourable market conditions. In addition, the gas business and the newly established precious metals desk provided further revenue uplift.

Underlying administrative expenses

Total underlying administrative expenses of £1,570m in 2019 were 5% higher than 2018 on reported and 2% higher at constant currency basis (see note 5 in the Financial statements for further details).

Underlying administrative expenses

	2019	2018	Change	Reported Change	Constant Currency Change
	£m	£m	£m	%	%
Broker compensation	**900**	859	41	+5%	+2%
Other front office costs	**193**	183	10	+5%	+3%
Data & Analytics costs	**46**	42	4	+10%	+7%
Total front office costs	**1,139**	1,084	55	+5%	+2%
Other staff costs	**215**	226	(11)	-5%	-6%
Technology and related costs	**59**	52	7	+13%	+11%
Premises and related costs	**53**	52	1	+2%	0%
Depreciation and amortisation	**34**	33	1	+3%	0%
Other administrative costs	**77**	52	25	+48%	+45%
IFRS16 adoption	**(7)**	-	(7)		
Total management and support costs	**431**	415	16	+4%	+2%
Total costs	**1,570**	1,499	71	+5%	+2%

The table above sets out administrative expenses on the basis on which management chooses to view this area, divided principally between front office costs and management and support costs. Front office costs tend to have a large variable component to them and are directly linked to the output of our brokers. The largest element of this is broker compensation as well as other front office costs, which include travel and entertainment, telecommunications and information services, clearing and settlement fees as well as other direct costs. The remaining cost base represents the management and support costs of the Group.

Overall, the underlying cost base has seen a 5% increase at reported rates to £1,570m in 2019 compared with 2018 (+2% at constant currency rates). This has been driven by an increase in total front office costs. Broker compensation costs increased by £41m (+£18m at constant currency rates) during the period reflecting a 3% increase in broking revenue at reporting rates (+1% at constant exchange rates) and an increase in the broker compensation ratio from 52.3% to 53.1%. The increase in broker compensation reflects the change in revenue mix between the two periods towards businesses with higher compensation ratio, mainly relating to the strong Energy & Commodities growth.

Other front office costs have increased by 5% (£10m) on a reported basis (3% (£5m) at constant currency rates). Reductions of £5m in Telecommunications and Information Services costs have been offset by increases in Travel and Entertainment (£2m) and Clearing and Settlement fees (£5m). The increase in front-office Data & Analytics costs of 10% reflect high top-line growth.

The presentation above shows consistent year on year premises and related costs on an IAS 17 basis as we have not adopted IFRS 16 for the prior year. The current year net IFRS 16 adoption item is made up of £27m reduction in premises costs and an additional £20m depreciation of right of use assets

The £11m reduction (£14m reduction at constant currency rates) in other staff costs on a reported basis reflects the further impact of synergy savings and further staff cost reduction programme pursued during the period, offset by increased headcount in Data & Analytics (£2m), Belfast in-housing, Cyber security, Risk & Compliance.

Technology and related costs includes the costs of all external technology services, including maintenance contracts, consultancy, market data services and communications costs. During 2019 these costs increased £7m on a reported basis year-on-year with a modest amount of cost reductions offset by an £8m increase in third party IT consultancy incurred in respect of Cyber security.

The IFRS 16 adoption reduced administrative expenses relating to operational leases by £7m on a reported basis.

The significant increase in other administrative costs (+£25m on a reported basis, +£24m at constant currency rates) includes an increase in Data & Analytics costs (£3m), substantial increases in legal fees (£7m) arising in the US from Bond Issuance investigation, Swaps Anti-trust class case and employee litigation, one-off costs in respect of the Group strategy, Brexit and other FX costs (£8m).

Synergy savings and administrative expenses

As at the end of December 2019 the cumulative annualised synergy savings achieved from the integration programme were £80m, an increase of £9m on the annualised £71m of synergy savings reported at the end of 2018. Of the £9m additional run rate synergies, £5m were recognised in the period. The table below shows the movement in underlying administrative expenses between 2019 and 2018 re-categorised to reflect the impact of the movement in synergy savings against other costs between the two periods.

2018 reported	FX	**2018 constant**	Synergy savings	IFRS 16 adjusts.	Net cost decrease	Broker compens.	Planned New Invest.	Planned increases	FX head-winds	**2019 reported**
1,499	36	**1,535**	(10)	(7)	(2)	18	13	15	8	**1,570**

The net cost decrease of £2m includes back-office cost savings, partially offset some increased legal costs in the US (£7m).

Front Office costs have increased by £18m as explained in the paragraphs above, largely driven by the increase in broking revenue between the two periods, and the increase in the broker compensation ratio.

The new investments include Data & Analytics resourcing (£5m), strategy project (£3m), IT consultancy and project management (£5m).

The planned increases include change & procurement (£2m), compliance (£2m), risk (£3m), Brexit (£2m), other legal costs (£1m) and cybersecurity (£5m). This was in line with our £15m expected spend.

As the ICAP integration is now complete, the Group intends to discontinue the above disclosure in future reports.

Contribution & Underlying Operating Profit by division

Contribution represents the revenue of our businesses less the total front office costs described above. An improvement in the absolute level of contribution is an important metric in driving earnings growth for the Group. In 2019 the overall level of contribution was +2% at £694m year-on-year. The overall contribution margin decreased by 0.6 percentage point to 37.9% as higher revenues were more than offset by higher front office costs. This decline mainly reflects the broker compensation ratio increase, due to revenue shift changes, combined with higher initial contract payments (ICP) amortisation.

GB =Global Broking; E&C = Energy & Commodities; IS = Institutional Services, D&A = Data & Analytics

2019 (£m)	**GB**	**E&C**	**IS**	**D&A**	**Corp. Centre**	**Total**
Revenue:						
- External	1,244	379	75	135	-	1,833
- Inter-division	18	3	-	-	(21)	-
	1,262	**382**	**75**	**135**	**(21)**	**1,833**
Total front office costs:						
- External	(775)	(261)	(57)	(46)	-	**(1,139)**
- Inter-division	-	-	-	(21)	21	-
	(775)	**(261)**	**(57)**	**(67)**	**21**	**(1,139)**
Contribution	**487**	**121**	**18**	**68**	**-**	**694**
Contribution margin	*38.6%*	*31.7%*	*24.0%*	*50.4%*	*n/a*	*37.9%*
Net management and support costs:						
- Management and support costs	(268)	(75)	(15)	(9)	(64)	(431)
- Other operating income	2	-	-	-	14	16
	(266)	**(75)**	**(15)**	**(9)**	**(50)**	**(415)**
Underlying Operating profit / (loss)	**221**	**46**	**3**	**59**	**(50)**	**279**
Underlying operating profit margin	***17.5%***	***12.0%***	***4.0%***	***43.7%***	***n/a***	***15.2%***

2018 (£m)	GB	E&C	IS	D&A	Corp. Centre	Total
Revenue:						
- External*	1,254	331	61	117	-	1,763
- Inter-division	18	2	-	-	(20)	-
	1,272	333	61	117	(20)	1,763
Total front office costs:						
- External	(764)	(229)	(49)	(42)	-	(1,084)
- Inter-division	-	-	-	(20)	20	-
	(764)	(229)	(49)	(62)	20	(1,084)
Contribution	508	104	12	55	-	679
Contribution margin	*39.9%*	*31.2%*	*19.7%*	*47.0%*	*n/a*	*38.5%*

Net management and support costs:						
- Management and support costs	(259)	(72)	(11)	(6)	(67)	(415)
- Other operating income	4	-	-	-	8	12
	(255)	(72)	(11)	(6)	(59)	(403)
Underlying Operating profit / (loss)	253	32	1	49	(59)	276
Underlying operating profit margin	*19.9%*	*9.6%*	*1.6%*	*41.9%*	*n/a*	*15.7%*

* For 2018 £24m of revenues and all associated costs have been reclassified from Rates business into Institutional Services as the Global Broking Relative Value (RV) Rates businesses have been reclassified to move all RV desks under Institutional Services. This is to reflect the mechanics of the underlying business. Institutional Services growth rate would have been 21% and 19% on a reported and constant currency basis respectively excluding the aforementioned move of the RV desks.

Broker contribution (excluding Data & Analytics) was in-line with £626m, as higher contribution from Energy & Commodities and Institutional Services, was offset by lower contribution from Global Broking, due to lower revenues and higher ICP amortisation.

Data & Analytics contribution represents the revenue of the Data & Analytics business less the total front office costs associated with running the business, including the cost of internally generated data from the broking businesses. In 2019 the overall level of contribution increased by £13m or 24% to £68m. The overall contribution margin increased by 6 percentage points to 50.4% driven by an 15% increase in revenue at reported rates.

Underlying operating profit

For 2019, we have introduced the underlying operating profit by division for the first time which is after the allocation of net management and support costs (excluding Corporate centre) to the different divisions.

For Global Broking, the underlying operating profit decreased to £221m, or 13% versus 2018. This was due to higher front-office costs reflecting higher compensation ratio as a result of increased retention efforts, as well as increased clearing and settlement costs due to vendor cost increases. Moreover, other costs were increased due to ongoing legal costs in the US, IT consultancy investments, Cyber and Risk & Compliance costs. Operating profit margin decreased 2.4 percentage points to 17.5%.

For Energy & Commodities, the underlying operating profit increased to £46m, or 44% versus 2018. This is primarily due to higher revenues, only partially offset by higher support costs. The underlying operating profit margin improved 2.4 percentage points to 12.0%.

Institutional Services improved its underlying operating profit to £3m. The business has generated necessary scale to improve its profitability, with very strong revenue growth. The underlying operating profit margin improved to 4.0%, 2.4 percentage point higher year-on-year.

Data & Analytics reported strong underlying operating profit of £59m, or +20% versus 2018. The results benefited from strong revenue growth and positive operational leverage. As such, the underlying operating profit margin improved to 43.7%, 1.8 percentage points higher year-on-year.

The underlying operating profit of £279m is 1% higher than the prior year, with an underlying operating profit margin of 15.2%. This is 0.5 percentage points lower than 2018, due to the aforementioned FX headwinds and minor increases in the net management and support costs.

Underlying operating profit by region

The underlying operating profit and underlying operating profit margin by region are shown below and are compared against reported data for the prior period.

Underlying operating profit

£m	**2019**	2018	Change
EMEA	**164**	173	-5%
Americas	**94**	81	+16%
Asia Pacific	**21**	22	-5%
Underlying	**279**	276	+1%

Underlying operating profit margin by region

£m	**2019**	2018
EMEA	**18.2%**	19.5%
Americas	**13.7%**	12.7%
Asia Pacific	**8.5%**	9.1%
Underlying	**15.2%**	15.7%

EMEA
Underlying operating profit in EMEA of £164m was 5% lower than 2018, and with revenue up 2% on a reported basis, the underlying operating profit margin has decreased by 1.3 percentage points, to 18.2%. The decrease reflects adverse FX movement, with slightly inflated support costs mainly through increased employee in-sourcing of IT consultancy and investment in strengthening risk & compliance

Americas
In the Americas, the underlying operating profit of £94m is 16% higher than 2018 and the underlying operating profit margin has improved by 1 percentage point to 13.7% reflecting higher revenue growth.

Asia Pacific
Underlying operating profit in Asia Pacific decreased by £1m to £21m in 2019, while the underlying operating profit margin has reduced by 0.6 percentage points to 8.5% with the benefit of reductions in management and support costs as a result of the integration being more than offset by revenue decline.

Exceptional and acquisition, disposal and integration items
The Group presents its Consolidated Income Statement in a columnar format to aid the understanding of its results by separately presenting its underlying operating profit before acquisition, disposal and integration costs and exceptional items. Underlying operating profit is reconciled to profit before tax in the Consolidated Income Statement and is disclosed separately to give a clearer presentation of the Group's underlying trading results.

Acquisition, disposal and integration costs are excluded from underlying results as they reflect the impact of acquisitions and disposals rather than underlying trading performance.

The £34m charge for integration costs related to the acquisition of ICAP includes professional fees and staff costs relating to planning, setting up and running the integration workstreams and staff severance costs. As at the end of 2019, we successfully completed the ICAP integration programme, generating £80m annualised synergies.

The major elements of the integration costs in 2019 continued to be staff costs (£20m), which include £8m of severance costs, and other costs of £11m which include consultancy costs (£10m). The £10m of consultancy cost charged in 2019 is primarily in respect of reviews of the technology strategy and scope for cost reduction, project management support and analysis, software development and quality assurance and support for the project to reduce and rationalise the legal entity structure.

A further amount of £42m has been charged through the income statement reflecting the amortisation of intangible assets other than goodwill arising on acquisitions, reflecting brand value, the value of customer relationships and other intangible assets. This non-cash item is excluded from underlying results to present the performance of the Group's acquired businesses consistently with its organically grown businesses where such intangible assets are not recognised.

In accordance with its obligations under IAS 36 (see also Note 13), the Group has undertaken an impairment review of the carrying value of its regional cash generating units ('CGU') to which goodwill arising on acquisitions, including the acquisition of ICAP, has been allocated. In determining whether goodwill is impaired under IAS 36, the resulting value of each CGU has been estimated based on its value in use. As a result of the review, the carrying value of the Asia Pacific CGU has been written down by £24m and this charge is included as an acquisition related item. This non-cash impairment does not have an impact on the Group's regulatory capital position, which excludes the carrying value of intangible assets in the calculation of the Group's allowable resources.

Other acquisition, disposal and integration costs include a £6m charge for adjustments to acquisition consideration, due to an increase in the expected deferred consideration on the Axiom and COEX acquisitions due to their strong performance. There are also £9m of other minor acquisition and disposal items that have been excluded from underlying results, relating to the ClearCompress and Louis Capital acquisition, plus an increase of a provision acquired during COEX acquisition.

The £10m exceptional charge in 2019 reflects the net settlement of exceptional legal provisions in connection with an FCA regulatory fine (£15m), a further charge for the settlement of a regulatory investigation in the US (£3m), other legal costs (£1m), offset by a £9m legal settlement received regarding a settlement from competitors relating to an employment case. Other exceptional items include £5m in relation to a charge to employee long-term benefits associated mainly with pension scheme past service and closure costs, and £7m in relation to a charge for business reorganisation including office moves the Group has undertaken. Exceptional items have been excluded from underlying results as they are non-recurring and do not relate to the underlying performance of the business.

Net finance expense
The underlying net finance expense of £49m is £18m higher than the £31m charged in 2018, driven primarily by the £12m additional interest from the introduction of IFRS 16. This comprises £55m of interest expense, of which £34m relates to the Group's Sterling Notes, £3m of costs relating to interest fees on bank facilities, £2m relating to the amortisation of debt issue and bank facilities and £1m of other interest payable. The interest expense includes an one-off charge of £3m for premium paid for the early redemption of £69m for the Sterling Notes issued in January 2017, and the aforementioned impact

from IFRS16 introduction. The expense is offset by £5m of interest income and £1m of income of finance lease receivables.

Tax

The effective rate of tax on underlying profit before tax is 23.9% (2018: 25.8%). The rate is lower than the prior year due to a greater impact from the reduced US federal rate of tax (due to the lessening of the impact of measures that broadened the US tax base) and the conclusion of prior year tax liabilities at less that the amount provided. The effective rate of tax on reported profit before tax is 43% (2018: 62.9%), reflecting the tax deductibility of certain acquisition, disposal and integration costs and exceptional expenses. The outlook for the underlying tax rate is for it to be around 25% in 2020, on the basis that during the UK General Election campaign it was indicated that the scheduled reduction in the UK corporation tax rate would be reversed.

Basic EPS

The average number of shares used for the basic EPS calculation of 559.4m reflects the 563.3m shares in issue less the 2.6m shares held by the Employee Benefit Trust at the beginning of the year, less the difference between the time apportionment elements of the 2.0m of shares acquired by the Employee Benefit Trust to satisfy deferred share awards made to senior management, and the 0.1m of deferred shares meeting their vesting requirements in May. The Employee Benefit Trust has waived its rights to dividends.

Dividend

The Group's proposed dividend remains at 16.85p (2018: 16.85p). This is in line with our previous intention to keep the dividend per share stable during TP ICAP's integration programme. For 2020, we intend to pay at least 16.85p dividend per share, even under a "normal downturn" scenario. We aim to announce our medium-term capital allocation policy during 2020.

Cash Flow 2019

Other* = Acquisition, disposal and integration costs & exceptionals

£m	Under-lying	Other*	Reported
Underlying Operating profit	**279**	(137)	142
Share based compensation and pension admin fees	6	3	9
Depreciation and amortisation	36	4	40
Depreciation on leased assets	20	1	21
Exceptional non-cash items	1	6	7
Impairment & amortisation of intangible assets arising on consolidation	-	66	66
EBITDA	**342**	**(57)**	**285**
Change in Initial contract prepayments	(2)	2	-
Working capital	(21)	1	(20)
Cash generated from operations	**319**	**(54)**	**265**
Capital expenditure	(33)		
Underlying Operating cash flow	**286**		
Income taxes paid	(73)	9	(64)
Interest paid	(53)		(53)
Underlying Free cash flow	**160**		
Reported net cash flow from operating activities			**148**

The cash flow presentation above reconciles the underlying cash flow generation, excluding the impact of acquisition, disposal and integration costs and exceptional items, to the reported net cash flow from operations. The impact on EBITDA of acquisition, disposal and integration costs and exceptional items was £57m during the period principally relating to the costs of the integration.

During the period there was small movement in initial contract prepayments. The working capital outflow of £21m mainly reflects an increase in trade receivables, a reduction in provisions after settling a legacy legal issue offset by a fall in net settlement and trading balances. Capital expenditure has decreased to £33m reflecting the non-recurrence of prior year's costs, included office moves in New York, London, Singapore and Belfast. The 2019 expectation was higher but the slight delay in moving to our new London HQ, led to lower capital expenditure.

After interest paid and underlying taxation paid, the underlying free cash flow for the Group was £160m, an increase of £30m versus 2018. This increase is driven by lower capital expenditure associated with he prior year office moves, no impact from initial contract prepayments and smaller increase in working capital. The positive impact was partially offset by higher interest paid, due to the higher long-term debt levels and the impact from the classification of interest under IFRS 16 and from the early redemption of debt. Finally, higher taxes paid relate to the fact that US legacy losses were largely exhausted.

Cash Flow 2018
Other* = Acquisition, disposal and integration costs & exceptionals

£m	Under-lying	Other*	Reported
Underlying Operating profit	**276**	(183)	93
Share based compensation and pension admin fees	6	-	6
Depreciation and amortisation	35	4	39
Exceptional non-cash items	-	6	6
Impairment & amortisation of intangibles on consolidation	-	105	105
Impairment of associate	-	3	3
EBITDA	**317**	**(65)**	**252**
Change in Initial contract prepayments	(10)	-	(10)
Working capital	(29)	-	(29)
Cash generated from operations	**278**	**(65)**	**213**
Capital expenditure	(73)		
Underlying Operating cash flow	**205**		
Income taxes paid	(41)	11	(30)
Interest paid	(34)		(34)
Underlying Free cash flow	**130**		
Reported net cash flow from operations			**149**

Of the £824m cash and financial investments balance at the period end, £723m is held in 61 regulated entities to meet regulatory capital, margin and other trading requirements as well as accrued profits, £76m is held in non-regulated entities for working capital requirements as well as accrued profits and £25m is held in corporate holding companies. The £723m of cash held in regulated entities generally remains held within those Group's entities for regulatory and operational reasons.

Debt finance
The composition of the Group's outstanding debt is summarised below.

£m	**At 31 Dec 2019**	At 31 Dec 2018
5.25% Sterling Notes June 2019	**-**	80
5.25% Sterling Notes January 2024	**431**	500
5.25% Sterling Notes May 2026	**250**	-
Revolving credit facility drawn	**-**	52
Unamortised debt issue costs	**(2)**	(2)
Accrued interest	**11**	12
Gross Debt pre-IFRS 16	**689**	642
IFRS 16 lease liabilities	**140**	-
Total Debt	**829**	642

The revolving credit facility was refinanced in December 2018 on improved terms increasing our overall facility to £270m from £250m. The revolving credit facility now matures in December 2021, and no cash was drawn as at the balance sheet date (2018: £52m). On 24 May 2019, the Group issued a £250m 5.25% note due 2026 under its £1bn Euro Medium Term Note Programme. The proceeds of this were used to pay down the revolving credit facility ("RCF") drawings, repay the £80m bond that matured in June 2019 and to buy back £69m of the £500m 2024 bonds through a tender offer. As a result, the Group's core gross debt has increased to £689m.

Exchange rates
The income statements and balance sheets of the Group's businesses whose functional currencies are not GBP are translated into sterling at average and period end exchange rates respectively. The most significant exchange rates for the Group are the US dollar and the Euro. The Group's current policy is not to hedge income statement or balance sheet translation exposure. Average and period end exchange rates used in the preparation of the financial statements are shown on the next page.

	Average		**Period End**	
	2019	2018	**2019**	2018
US dollar	**$1.28**	$1.34	**$1.32**	$1.28
Euro	**€1.14**	€1.13	**€1.18**	€1.13

Pensions

The Group had one defined benefit pension scheme in the UK. During 2019, the Trustee commenced proceedings to 'buy-out' the Scheme's liabilities, a process that will enable the Trustee to exchange the Scheme's bulk annuity policy for individual policies issued to, and directly held, by the Scheme's beneficiaries. To proceed with 'buy-out', the Sponsor and Trustee commenced the wind-up of the Scheme. Prior to this, the Trustee had no right to unilaterally wind-up, or otherwise augment the benefits due to members and based on those limitations the net surplus was recognised in full by the Group. Under UK legislation, once a Scheme commences wind-up, the assets of the Scheme pass unconditionally to the Trustee to enable it to settle the Scheme's liabilities. As a result, the Group has applied the requirement of IFRIC 14, fully restricting the Group's recognition of the £52m net surplus by applying an asset recognition ceiling. The asset ceiling is recorded as a charge in other comprehensive income.

During the wind-up period, the Group will continue to restrict the recognition of the net surplus. Should any member benefits be augmented during this period, they will represent a past service cost and will be recorded as exceptional costs in the Income Statement (3m in second half of 2019) as and when those benefits are agreed. Costs associated with the settlement of the Scheme's liabilities will also be recorded as exceptional costs in the Income Statement as and when incurred.

Following the full settlement of the Scheme's liabilities the Scheme will be wound-up and the Sponsor expects to receive the remaining asset. Any repayment received will also be subject to applicable taxes at that time, currently 35%.

Regulatory capital
The Group's lead regulator is the FCA. The Group has a waiver from the consolidated capital adequacy requirements under CRD IV. The Group's current waiver took effect on 30 December 2016, following the acquisition of ICAP, and will expire on 30 December 2026. Under the terms of the waiver, each investment firm within the Group must be treated as either a limited activity or a limited licence firm and comply with its individual regulatory capital resources requirements. TP ICAP plc, as the parent Company, must continue to maintain capital resources in excess of the sum of the solo notional capital resources requirements for each relevant firm within the Group (the 'Financial Holding Company test'). The terms of the waiver require the Group to eliminate the excess of its consolidated own funds requirement compared with its consolidated own funds ('Excess Goodwill') over the ten-year period to 30 December 2026. The amount of the Excess Goodwill must not exceed the amount determined as at the date the waiver took effect (the 'Excess Goodwill Ceiling'). The Excess Goodwill Ceiling is reduced to nil in line with a schedule over ten-years to December 2026, with the first reduction of 25% having occurred at the end of June 2019. The Excess Goodwill Ceiling continues to reduce 25% every 2.5 years on a straight line basis. The Group expects to reduce its Excess Goodwill in accordance with the declining Excess Goodwill Ceiling. The waiver also sets out conditions with respect to the maintenance of financial ratios relating to leverage, debt service and debt maturity profile.

The Group's regulatory capital headroom under the Financial Holding Company test calculated in accordance with Pillar 1 was £1,761m (2018: £1,605m). 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. The Group maintains an appropriate excess of financial resources in such entities.

Information disclosure under Pillar 3 is available on the Group's website: www.tpicap.com.

IFRS 16 'leases'
In line with International Financial Reporting Standards, the Group has applied IFRS 16 for the year ending 31 December 2019. The impact of this change is set out in Note 2(d) of the Consolidated Financial Statements.

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Consolidated Income Statement

for the year ended 31 December 2019

2019	Notes	**Underlying £m**	**Acquisition, disposal and integration costs (Note 5) £m**	**Exceptional items (Note 5) £m**	**Total £m**
Revenue	3	**1,833**	**-**	**-**	**1,833**
Administrative expenses	4	**(1,570)**	**(115)**	**(31)**	**(1,716)**
Other operating income	5,6	**16**	**-**	**9**	**25**
Operating profit	3	**279**	**(115)**	**(22)**	**142**
Finance income	7	**6**	**-**	**-**	**6**
Finance costs	8	**(55)**	**-**	**-**	**(55)**
Profit before tax		**230**	**(115)**	**(22)**	**93**
Taxation		**(55)**	**15**	**-**	**(40)**
Profit after tax		**175**	**(100)**	**(22)**	**53**
Share of results of associates and joint ventures		**15**	**-**	**-**	**15**
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Profit for the year		**190**	**(100)**	**(22)**	**68**
Attributable to:					
Equity holders of the parent		**189**	**(100)**	**(22)**	**67**
Non-controlling interests		**1**	**-**	**-**	**1**
		190	**(100)**	**(22)**	**68**
Earnings per share					
- Basic	9	**33.8p**			**12.0p**
- Diluted	9	**33.5p**			**11.9p**
2018					
Revenue	3	1,763	-	-	1,763
Administrative expenses	4	(1,499)	(160)	(23)	(1,682)
Other operating income	5,6	12	-	-	12
Operating profit	3	276	(160)	(23)	93
Finance income	7	5	-	-	5
Finance costs	8	(36)	-	-	(36)
Profit before tax		245	(160)	(23)	62
Taxation		(63)	20	4	(39)
Profit after tax		182	(140)	(19)	23
Share of results of associates and joint ventures		12	-	-	12
Profit for the year		194	(140)	(19)	35
Attributable to:					
Equity holders of the parent		191	(140)	(19)	32
Non-controlling interests		3	-	-	3
		194	(140)	(19)	35
Earnings per share					
- Basic	9	34.2p			5.7p
- Diluted	9	33.9p			5.7p

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	2019	2018
	£m	£m
Profit for the year	**68**	35
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit pension schemes	**(52)**	(2)
Equity instruments at FVTOCI - net change in fair value	**1**	7
Taxation relating to item not reclassified	**19**	1
	(32)	6
Items that may be reclassified subsequently to profit or loss:		
Effect of changes in exchange rates on translation of foreign operations	**(44)**	49
	(44)	49
Other comprehensive (loss)/income for the year	**(76)**	55
Total comprehensive (loss)/income for the year	**(8)**	90
Attributable to:		
Equity holders of the parent	**(8)**	86
Non-controlling interests	**-**	4
	(8)	90

Consolidated Balance Sheet

as at 31 December 2019

	Notes	**2019** **£m**	2018 £m
Non-current assets			
Intangible assets arising on consolidation	11	**1,511**	1,594
Other intangible assets		**61**	69

Property, plant and equipment		**72**	74
Right-of-use assets		**91**	-
Investment in associates		**58**	53
Investment in joint ventures		**28**	26
Other investments		**20**	20
Deferred tax assets		**3**	4
Retirement benefit assets	12	**-**	55
Other long term receivables		**26**	20
		1,870	1,915
Current assets			
Trade and other receivables		**49,371**	22,798
Financial investments	14	**148**	133
Cash and cash equivalents	14	**676**	667
		50,195	23,598
Total assets		**52,065**	25,513
Current liabilities			
Trade and other payables		**(49,305)**	(22,735)
Interest bearing loans and borrowings	14	**(11)**	(144)
Lease liabilities		**(23)**	-
Current tax liabilities		**(48)**	(55)
Short term provisions	15	**(21)**	(31)
		(49,408)	(22,965)
Net current assets		**787**	633
Non-current liabilities			
Interest bearing loans and borrowings	14	**(678)**	(498)
Lease liabilities		**(117)**	-
Deferred tax liabilities		**(83)**	(123)
Long term provisions	15	**(26)**	(30)
Other long term payables		**(21)**	(64)
Retirement benefit obligations		**(2)**	(3)
		(927)	(718)
Total liabilities		**(50,335)**	(23,683)
Net assets		**1,730**	1,830
Equity			
Share capital		**141**	141
Share premium		**17**	17
Merger reserve		**1,384**	1,384
Other reserves		**(1,205)**	(1,158)
Retained earnings		**1,375**	1,430
Equity attributable to equity holders of the parent		**1,712**	1,814
Non-controlling interests		**18**	16
Total equity		**1,730**	1,830

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Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	Equity attributable to equity holders of the parent										
	Share capital	**Share premium account**	**Merger reserve**	**Reverse acquisition reserve**	**Re-valuation reserve**	**Hedging and translation**	**Own shares**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
2019	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Balance at 1 January 2019	**141**	**17**	**1,384**	**(1,182)**	**4**	**31**	**(11)**	**1,430**	**1,814**	**16**	**1,830**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**67**	**67**	**1**	**68**
Other comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**1**	**(43)**	**-**	**(33)**	**(75)**	**(1)**	**(76)**
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Total comprehensive income for the year	**-**	**-**	**-**	**-**	**1**	**(43)**	**-**	**34**	**(8)**	**-**	**(8)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(94)**	**(94)**	**(1)**	**(95)**
Share settlement of share-based awards	**-**	**-**	**-**	**-**	**-**	**-**	**2**	**(3)**	**(1)**	-	**(1)**
Own shares acquired for employee trusts	**-**	**-**	**-**	**-**	**-**	**-**	**(7)**	**-**	**(7)**	**-**	**(7)**
Increase in non-controlling interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**3**	**3**	**6**
Credit arising on share-based awards	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**5**	**-**	**5**
Balance at 31 December 2019	**141**	**17**	**1,384**	**(1,182)**	**5**	**(12)**	**(16)**	**1,375**	**1,712**	**18**	**1,730**
2018											
Balance at 1 January 2018	139	17	1,378	(1,182)	1	(17)	(10)	1,494	1,820	13	1,833
Adjustment on initial application of IFRS 9 (Note 2(d))	-	-	-	-	-	-	-	(4)	(4)	-	(4)
Adjusted balance at 1 January 2018	139	17	1,378	(1,182)	1	(17)	(10)	1,490	1,816	13	1,829
Profit for the year	-	-	-	-	-	-	-	32	32	3	35
Other comprehensive Income/(loss) for the year	-	-	-	-	7	48	-	(1)	54	1	55
Total comprehensive income for the year	-	-	-	-	7	48	-	31	86	4	90
Issue of ordinary shares	2	-	6	-	-	-	-	(2)	6	-	6
Dividends paid	-	-	-	-	-	-	-	(94)	(94)	(1)	(95)
Gain on disposal of equity instruments at FVTOCI	-	-	-	-	(4)	-	-	4	-	-	-
Share settlement of share-based awards	-	-	-	-	-	-	4	(4)	-	-	-
Own shares acquired for employee trusts	-	-	-	-	-	-	(5)	-	(5)	-	(5)
Credit arising on share-based awards	-	-	-	-	-	-	-	5	5	-	5
Balance at 31 December 2018	141	17	1,384	(1,182)	4	31	(11)	1,430	1,814	16	1,830

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Consolidated Cash Flow Statement

for the year ended 31 December 2019

	Notes	**2019**	2018
		£m	£m
Cash from operating activities	13	**148**	149
Investing activities			
(Purchase)/sale of financial investments		**(20)**	4
Sale of equity instruments at FVTOCI		**1**	7
Purchase of equity instruments at FVTOCI		**(1)**	-
Interest received		**5**	3
Dividends from associates and joint ventures		**10**	10
Expenditure on intangible fixed assets		**(20)**	(26)
Purchase of property, plant and equipment		**(13)**	(47)
Deferred consideration paid		**(12)**	(3)
Investment in associates		**(5)**	(2)
Acquisition consideration paid		**-**	(18)
Cash acquired with acquisitions		**-**	1
Net cash flows from investment activities		**(55)**	(71)
Financing activities			
Dividends paid	10	**(94)**	(94)
Dividends paid to non-controlling interests		**(1)**	(1)
Dividend equivalents paid on share-based awards		**(1)**	-
Sale of equity to non-controlling interests		**6**	-
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Own shares acquired for employee trusts		**(7)**	(5)
Drawdown of revolving credit facility		**39**	87
Repayment of revolving credit facility		**(91)**	(35)
Funds received from loans from related parties		**35**	-
Repayment of loans from related parties		**(38)**	-
Gain on derivative financial instruments		**3**	-
Funds received from issue of Sterling Notes		**250**	-
Repayment/repurchase of Sterling Notes		**(149)**	-
Bank facility arrangement fees and debt issue costs		**(2)**	(3)
Payment of lease liabilities		**(21)**	-
Net cash flows from financing activities		**(71)**	(51)
Net increase in cash and cash equivalents		**22**	27
Net cash and cash equivalents at the beginning of the year		**667**	622
Adjustment on initial application of IFRS 9		**-**	(1)
Effect of foreign exchange rate changes		**(13)**	19
Net cash and cash equivalents at the end of the year	14	**676**	667
Cash and cash equivalents		**686**	680
Overdrafts		**(10)**	(13)
Cash and cash equivalents at the end of the year		**676**	667

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Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

1. General information

TP ICAP plc is a company incorporated in England and Wales under the Companies Act.

2. Basis of preparation

(a) Basis of accounting

The financial information included in this document does not constitute the Group's statutory accounts for the years ended 31 December 2019 or 2018, but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 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.

(b) 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. Under IFRS 10 control is achieved where the Company exercises power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to use its power to affect the returns from the entity.

(c) Presentation of the Income Statement

The Group maintains a columnar format for the presentation of its Consolidated Income Statement. The columnar format enables the Group to continue its practice of aiding the understanding of its results by presenting its underlying profit. This is the profit measure used to calculate underlying EPS (Note 9) and is considered to be the most appropriate as it better reflects the Group's underlying earnings. Underlying profit is reconciled to profit before tax on the face of the Consolidated Income Statement, which also includes acquisition, disposal and integration costs and exceptional items.

The column 'acquisition, disposal and integration costs' includes: any gains, losses or other associated costs on the full or partial disposal of investments, associates, joint ventures or subsidiaries and costs associated with a business combination that do not constitute fees relating to the arrangement of financing; amortisation or impairment of intangible assets arising on consolidation; any re-measurement after initial recognition of contingent consideration which has been classified as a liability, and any gains or losses on the revaluation of previous interests. The column may also include items such as
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gains or losses on the settlement of pre-existing relationships with acquired businesses and the re-measurement of liabilities that are above the value of indemnification.

Acquisition related integration costs include costs associated with exit or disposal activities, which do not meet the criteria of discontinued operations, including costs for employee and lease terminations, or other exit activities. Additionally, these costs include expenses directly related to integrating and reorganising acquired businesses and include items such as employee retention costs, recruiting costs, certain moving costs, certain duplicative costs during integration and asset impairments.

Items which are of a non-routine nature and material, when considering both size and nature, are disclosed separately to give a clearer presentation of the Group's results. These are shown as 'exceptional items' on the face of the Consolidated Income Statement.

(d) Adoption of new and revised Accounting Standards
The following new and revised Standards and Interpretations have been adopted in the current year:

IFRS 16 'Leases'

The Group has adopted IFRS 16 'Leases' as at 1 January 2019, using the cumulative catch-up approach. Under this transition method, comparative information has not been restated and cumulative adjustments on initial application are recognised in the opening balance sheet as at 1 January 2019. Accordingly, comparative information presented for 2018 is presented as previously reported under IAS 17 and related interpretations. Lessor accounting remains similar to previous accounting policies. The details of the changes in the Group's accounting policies as a lessee are disclosed below.

(i) Definition of a lease

The Group assesses whether a contract is, or contains, a lease based on the new definition of a lease. Under IFRS 16 a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16 the Group elected to apply the practical expedient not to reassess whether a contract was or contained a lease. The Group therefore applied IFRS 16 only to contracts that had been previously identified as leases, in accordance with IAS 17 and IFRIC 4, before 1 January 2019. The Group has applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019. The Group considers that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of the relative stand-alone prices. However, for certain leases of properties the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) As a lessee

The distinction between operating leases and finance leases is removed. Under IFRS 16 the Group now recognises right-of-use assets and lease liabilities, which the Group has chosen to report separately on its balance sheet.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date, the date at which power to control the asset is obtained. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in the future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Lease cash flows, previously presented as operating cash flows, are split into payments of principal and interest and are presented as financing and operating cash flows respectively.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes termination and/or renewal options and for leases which the Group has enforceable rights that extend the lease agreement. The assessment of whether the Group is reasonably certain to exercise such options or whether the Group is able to enforce its additional rights impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognised.

(iii) Transition as at 1 January 2019

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, and any provisions held in respect of onerous lease contracts.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and lease liabilities for leases with less than 12 months of remaining lease term;
- Relied on previous assessments on whether leases are onerous;
- Excluded initial direct costs from the measuring the right-of-use asset at the date of initial application; and,
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease. This expedient has been applied in reassessing the lease terms associated with three significant UK leases. Under an agreement with the landlord, two property leases will be terminated once the Group has moved its operations to a new leased property.

(iv) As a lessor

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

The Group sub-leases some of its leased properties. Under IAS 17, the head lease and sub-lease contracts were classified as operating leases. Where the Group is an intermediate lessor, it will account for the head lease and the sub-lease as two separate contracts and is required to classify the sub-lease as either a finance or operating lease by reference to the right−of−use asset arising from the head lease.

Where sub-lease agreements are assessed as finance leases, the Group will derecognise the right-of-use asset and record its interest in finance lease receivables. As required by IFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables.

(v) Impact on transition

The impact on transition is summarised below:

	1 January 2019 £m
Right-of-use assets	**101**
Finance lease receivables (presented in other receivables)	**8**
Lease liabilities	**(145)**
Property provisions	**(1)**

When measuring lease liabilities for leases that were classified as operating leases the Group discounted lease payments using its incremental borrowing rate as at 1 January 2019, reflecting the lease term and the type of leased asset. The discount rates used in the calculation of the lease liability involved estimation. The weighted-average rate applied was 7.3%.

	1 January 2019 £m
Lease liabilities	
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	**313**
- Recognition exemption for leases of low-value assets	**-**
- Recognition exemption for leases with less than 12 months of lease term at transition	**(3)**
- Termination and extension options reasonably certain to be exercised[1]	**(89)**
Gross lease commitments at 1 January 2019	**221**
Lease liabilities recognised at 1 January 2019, discounted using the incremental borrowing rate	**145**
Right-of-use assets	
Initial right-of-use assets at amounts equal to the associated lease liability	**145**
- Adjustment for prepaid and accrued lease payments	**(29)**
- Adjustment for provisions held in respect of onerous leases	**(8)**
- Adjustment for additional property provisions	**1**
Amounts recognised as finance lease receivables	**(8)**
	101

1. Operating lease commitments have reduced by a net £89m following a reassessment of three significant UK leases. Under an agreement with the landlord, two property leases will be terminated once the Group has moved its operations to a new leased property. The new lease has a commencement date of February 2020 at which date a lease liability and right-of-use asset of £65m will be recognised. The gross lease commitment is £90m.

(vi) Impact for the year

During the year ended 31 December 2019, the Group, in relation to leases under IFRS 16, has recognised depreciation and interest costs, instead of IAS 17 operating lease expenses, as follows:

	Recognised in the Income Statement during the year ended 31 December 2019		Operating lease expense under IAS 17
	Depreciation	**Net Interest Expense**	
	£m	**£m**	£m
EMEA	**10**	**2**	12
Americas	**5**	**8**	9
Asia Pacific	**6**	**2**	7
	21	**12**	28

As a result of the Group adopting IFRS 16 using the cumulative catch-up approach to transition, prior periods have not been restated. Consequently the results for the year ended 31 December 2019 are not directly comparable with those reported in the prior period under the previous applicable accounting standard IAS17 'Leases'.

As at 1 January 2019 and 31 December 2019 the right-of-use assets and lease liabilities were as follows:

	31 December 2019	**1 January 2019**
	£m	**£m**
Right-of-use assets by type		
- Properties	**90**	**100**
- Equipment	**1**	**1**
	91	**101**
Finance lease receivables (presented in other receivables)		
- Properties	**8**	**8**
	8	**8**
Lease liabilities		
- Current lease liabilities	**23**	**17**
- Non-current lease liabilities	**117**	**128**
	140	**145**

Other New Standards and Interpretations

The following new Standards and Interpretations are effective from 1 January 2019 but they do not have a material effect in the Group's financial statements:

- IFRIC 23 Uncertainty over Income Tax Treatments;
- Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards (2015-2017 Cycle); and
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement.

3. Segmental analysis

Products and services from which reportable segments derive their revenues

The Group is organised by geographic reporting segments which are used for the purposes of resource allocation and assessment of segmental performance by Group management. These are the Group's reportable segments under IFRS 8 'Operating Segments'.

Revenue arising in each geographic reportable segment is derived from four business divisions: Global Broking, Energy & Commodities, Institutional Services, and Data & Analytics.

Information regarding the Group's operating segments is reported below:

	2019	2018
	£m	£m
Revenue		
EMEA	**900**	886
Americas	**687**	636
Asia Pacific	**246**	241
	1,833	1,763
Operating profit[1]		
EMEA	**164**	173
Americas	**94**	81

Asia Pacific	**21**	22
Underlying operating profit[1]	**279**	276
Acquisition, disposal and integration costs (Note 5)	**(115)**	(160)
Exceptional items (Note 5)	**(22)**	(23)
Reported operating profit	**142**	93
Finance income	**6**	5
Finance costs[2]	**(55)**	(36)
Profit before tax	**93**	62
Taxation	**(40)**	(39)
Profit after tax	**53**	23
Share of results of associates and joint ventures	**15**	12
Profit for the year	**68**	35

Under the IFRS 16 transition approach adopted by the Group, the prior period prepared under IAS 17 has not been restated. Consequently the results for the year ended 31 December 2019 are not directly comparable with those reported for 31 December 2018 (Note 2(d)(vi)).

In relation to leases under IFRS 16:
1. Operating profit includes depreciation of £10m for EMEA, £5m for Americas and £6m for Asia Pacific instead of operating lease expense of £12m for EMEA, £9m for Americas and £7m for Asia Pacific; and
2. Finance costs include the unwind of discounted lease liabilities of £2m for EMEA, £8m for Americas and £2m for Asia Pacific.

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

Revenue by Division	**2019** **£m**	2018 (restated)[1] £m
- Rates[1]	**537**	523
- Credit	**94**	101
- FX & Money Markets	**201**	207
- Emerging Markets	**213**	213
- Equities	**199**	210
Global Broking[1]	**1,244**	1,254
Energy & Commodities	**379**	331
Institutional Services[1]	**75**	61
Data & Analytics	**135**	117
	1,833	1,763
Operating profit		
Global Broking	**221**	253
Energy & Commodities	**46**	32
Institutional Services	**3**	1
Data & Analytics	**59**	49
Corporate Centre	**(50)**	(59)
Underlying operating profit	**279**	276

Note:
1. In 2019, broking business was transferred from Global Broking to Institutional Services. 2018 revenue has been restated to reclassify £24m from Global Broking to Institutional Services.

Corporate centre represents the cost of group and central functions that are not allocated to the Group's divisions.

4. Administrative expenses

2019	**Underlying Front Office £m**	**Underlying Support £m**	**Total Underlying £m**	**Acquisition, disposal and integration costs £m**	**Exceptional items £m**	**Total £m**
Broker compensation costs	**900**	**-**	**900**	**-**	**-**	**900**
Other staff costs	**19**	**209**	**228**	**18**	**2**	**248**
Other share-based payment charge/(credit)	**-**	**6**	**6**	**(1)**	**-**	**5**
Charge relating to employee long-term benefits	**-**	**-**	**-**	**-**	**1**	**1**
Employment costs	**919**	**215**	**1,134**	**17**	**3**	**1,154**
Technology and related costs	**99**	**59**	**158**	**-**	**-**	**158**
Premises and related costs	**-**	**26**	**26**	**-**	**1**	**27**
Amortisation of other intangible assets	**1**	**22**	**23**	**4**	**-**	**27**
Depreciation of property, plant and equipment	**1**	**12**	**13**	**-**	**-**	**13**
Depreciation of right-of-use assets	**-**	**20**	**20**	**-**	**1**	**21**

Amortisation of intangible assets arising on consolidation (Note 11)	**-**	**-**	**-**	**42**	**-**	**42**
Impairment of intangible assets arising on consolidation (Note 11)	**-**	**-**	**-**	**24**	**-**	**24**
Adjustments to deferred consideration	**-**	**-**	**-**	**6**	**-**	**6**
Adjustments to provisions and contingent liabilities acquired	**-**	**-**	**-**	**3**	**-**	**3**
Charge relating to legal and regulatory settlements	**-**	**-**	**-**	**-**	**18**	**18**
Pension scheme past service and settlement costs	**-**	**-**	**-**	**-**	**4**	**4**
Acquisition costs	**-**	**-**	**-**	**2**	**-**	**2**
Other administrative costs	**119**	**77**	**196**	**17**	**4**	**217**
	1,139	**431**	**1,570**	**115**	**31**	**1,716**
Impairment loss on trade receivables	**-**	**-**	**-**	**-**	**-**	**-**
	1,139	**431**	**1,570**	**115**	**31**	**1,716**

2018	Underlying Front Office £m	Underlying Support £m	Total Underlying £m	Acquisition, disposal and integration costs £m	Exceptional items £m	Total £m
Broker compensation costs	859	-	859	-	-	859
Other staff costs	14	223	237	22	-	259
Other share-based payment charge	-	5	5	-	-	5
Charge relating to employee long-term benefits	-	-	-	-	2	2
Employment costs	873	228	1,101	22	2	1,125
Technology and related costs	94	52	146	-	-	146
Premises and related costs	-	52	52	1	14	67
Amortisation of other intangible assets	2	23	25	1	-	26
Depreciation of property, plant and equipment	-	10	10	-	3	13
Amortisation of intangible assets arising on consolidation (Note 11)	-	-	-	40	-	40
Impairment of intangible assets arising on consolidation (Note 11)	-	-	-	65	-	65
Impairment of associate	-	-	-	3	-	3
Adjustments to deferred consideration	-	-	-	5	-	5
Net change relating to legal settlement	-	-	-	-	3	3
Acquisition costs	-	-	-	3	-	3
Other administrative costs	115	49	164	20	1	185
	1,084	414	1,498	160	23	1,681
Impairment loss on trade receivables	-	1	1	-	-	1
	1,084	415	1,499	160	23	1,682

5. Acquisition, disposal and integration costs, and Exceptional items

Acquisition, disposal and integration costs comprise:

	2019 **£m**	2018 £m
ICAP integration costs		
- Employee related costs	**16**	22
- Share-based payment credit	**(1)**	-
- Premises, equipment and other intangible assets	**-**	1
- Amortisation of other intangible assets	**4**	1
- Other administrative costs	**15**	20
	34	44
Acquisition and disposal costs		
- Acquisition costs	**6**	3
- Amortisation of intangible assets arising on consolidation	**42**	40
- Impairment of intangible assets arising on consolidation	**24**	65
- Impairment of associate	**-**	3
- Adjustment to acquisition consideration	**6**	5
- Adjustments to provisions and contingent liabilities acquired	**3**	-
	115	160
Taxation	**(15)**	(20)

	2019	2018
	100	140

Exceptional items comprise:

	2019 £m	2018 £m
Charge relating to business reorganisation	**7**	18
Pension scheme past service and settlement costs	**4**	-
Charge relating to employee long-term benefits	**1**	2
Charge relating to legal costs	**1**	-
Charge relating to legal and regulatory settlements	**18**	3
	31	23
Employment related legal settlement receipt	**(9)**	-
	22	23
Taxation	**-**	(4)
	22	19

6. Other operating income

Other operating income comprises:

	2019 Underlying £m	2018 Underlying £m
Business relocation grants	**3**	1
Employee related insurance receipts	**2**	1
Management fees from associates	**1**	1
Sub-lease rental income (pre IFRS 16)	**-**	2
Other receipts	**10**	7
	16	12

Other receipts include royalties, rebates, insurance proceeds, tax credits and refunds.

Costs associated with other income are included in administrative expenses.

7. Finance income

	2019 £m	2018 £m
Interest receivable and similar income	**5**	4
Interest receivable on finance leases	**1**	-
Deemed interest arising on the defined benefit pension scheme surplus	**-**	1
	6	5

8. Finance costs

	2019 £m	2018 £m
Interest and fees payable on bank facilities	**3**	4
Interest payable on Sterling Notes June 2019	**2**	4
Interest payable on Sterling Notes January 2024	**24**	26
Interest payable on Sterling Notes May 2026	**8**	-
Other interest payable	**1**	1
Amortisation of debt issue and bank facility costs	**2**	1
Total borrowing costs	**40**	36
Interest payable on lease liabilities	**12**	-
Premium on repurchase of Sterling Notes January 2024	**3**	-
	55	36

9. Earnings per share

	2019	2018
Basic - underlying	**33.8p**	34.2p
Diluted - underlying	**33.5p**	33.9p
Basic	**12.0p**	5.7p
Diluted	**11.9p**	5.7p

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

	2019 No.(m)	2018 No.(m)
Basic weighted average shares	**559.4**	558.5
Contingently issuable shares	**4.2**	5.6
Diluted weighted average shares	**563.6**	564.1

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

	2019 £m	2018 £m
Earnings for the year	**68**	35
Non-controlling interests	**(1)**	(3)
Earnings	**67**	32
Acquisition, disposal and integration costs (Note 5)	**115**	160
Exceptional items (Note 5)	**22**	23
Taxation	**(15)**	(24)
Underlying earnings	**189**	191

Under the IFRS 16 transition approach adopted by the Group, the prior period prepared under IAS 17 has not been restated. Consequently the results for the year ended 31 December 2019 are not directly comparable with those reported for 31 December 2018 (Note 2(d)(vi)).

10. Dividends

	2019 £m	2018 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2018 of 11.25p per share	**63**	-
Interim dividend for the year ended 31 December 2019 of 5.6p per share	**31**	-
Final dividend for the year ended 31 December 2017 of 11.25p per share	**-**	63
Interim dividend for the year ended 31 December 2018 of 5.6p per share	**-**	31
	94	94

In respect of the current year, the Directors propose a final dividend of 11.25p per share amounting to £63m which will be paid on 19 May 2020, if approved by shareholders at the Annual General Meeting on 13 May 2020, to all shareholders that are on the Register of Members on 3 April 2020. This dividend has not been included as a liability in these Financial Statements.

The Trustees of the TP ICAP plc Employee Benefit Trust have waived their rights to dividends.

11. Intangible assets arising on consolidation

2019	Goodwill £m	Other £m	Total £m
At 1 January	**1,030**	**564**	**1,594**
Recognised on acquisitions	**7**	**-**	**7**
Remeasurement period adjustments:			
- Remeasurement of other intangible assets	**(5)**	**5**	**-**
- Increase in net assets acquired	**(2)**	**-**	**(2)**
Amortisation of acquisition related intangibles	**-**	**(42)**	**(42)**
Impairment of acquisition related intangibles	**(24)**	**-**	**(24)**
Effect of movements in exchange rates	**(13)**	**(9)**	**(22)**
At 31 December	**993**	**518**	**1,511**

2018			
At 1 January	1,052	590	1,642

Recognised on acquisitions	31	2	33
Remeasurement period adjustments	(2)	2	-
Amortisation of acquisition related intangibles	-	(40)	(40)
Impairment of acquisition related intangibles	(65)	-	(65)
Effect of movements in exchange rates	14	10	24
At 31 December	1,030	564	1,594

Other intangible assets at 31 December 2019 represent customer relationships, £506m (2018: £543m), business brands and trademarks, £10m (2018: £16m), and other intangibles, £2m (2018: £5m) that arise through business combinations. Customer relationships are being amortised between 10 and 20 years.

Goodwill arising through business combinations is allocated to groups of individual cash-generating units ('CGUs'), reflecting the lowest level at which the Group monitors and tests goodwill for impairment purposes. The CGU groupings are as follows:

CGU	**2019** **£m**	2018 £m
EMEA	**663**	654
Americas	**262**	281
Asia Pacific	**68**	95
Goodwill allocated to CGUs	**993**	1,030

Determining whether goodwill is impaired requires an estimation of the recoverable amount of each CGU. The recoverable amount is the higher of its value in use ('VIU') or its fair value less cost of disposal ('FVLCD').

CGUs, to which goodwill has been allocated, are tested for impairment at least annually. During the year the Group undertook impairment assessments as at 30 June and as at 31 December, triggered as a result of changes in expected CGU cash flows. Determining whether goodwill is impaired requires an estimation of the recoverable amount of each group of CGUs. The recoverable amount is the higher of its value in use ('VIU') or its fair value less cost of disposal ('FVLCD'). VIU is a pre-tax valuation, using pre-tax cash flows and pre-tax discount rates which is compared to the pre-tax carrying value of the CGU, whereas FVLCD is a post-tax valuation, using post-tax cash flows, post-tax discount rates and other post-tax observable valuation inputs, which is compared to a post-tax carrying value of the CGU.

The key assumptions for the VIU calculations are those regarding expected cash flows arising in future periods, regional growth rates and the discount rates. Future projections are based on the most recent financial projections considered by the Board which are used to project pre-tax 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.

As at 30 June 2019 the recoverable amount for each CGU was based on their VIU. Growth rates on underlying revenue, equating to a 0.9% compound annual growth rate over the five year projected period, were used for all CGUs, with pre-tax discount rates of 11.0% for EMEA, 13.6% for Americas and 11.8% for Asia Pacific. At that time no CGUs were impaired however the Asia Pacific CGU was sensitive to reasonably possible changes in the VIU assumptions.

As at 31 December 2019 the recoverable amount for each CGU was based on their VIU. Growth rates on underlying revenues over the five year projected period, were 2.1% for EMEA. 1.6% for Americas and 1.2% for Asia Pacific, with pre-tax discount rates of 11.0% for EMEA, 13.6% for Americas and 11.6% for Asia Pacific. As a result, the recoverable amount for the Asia Pacific CGU was estimated to be lower than its carrying value by £24m and has been impaired by this amount.

As at 31 December 2019 the Asia Pacific CGU remains sensitive to reasonably possible changes in the VIU assumptions. Further impairment of the Asia Pacific CGU would be required if there are changes in the applicable assumptions. A reduction in the growth rate over the period by 0.5% would increase the impairment charge by £17m and a 1% increase in the discount rate would increase the charge by £10m. The impact on future cash flows resulting from falling growth rates does not reflect any management actions that would be taken under such circumstances.

12. Retirement benefits

The Group has a defined benefit pension scheme in the UK and a small number of schemes operated in other countries.

	2019 **£m**	2018 £m
Defined benefit scheme surplus - UK	**52**	55
Impact of asset ceiling on UK scheme surplus:		
- Charged to Other Comprehensive Income (remeasurement of defined benefit pension schemes)	**(52)**	-
Recognised in the Consolidated Balance Sheet	**-**	55
Defined benefit schemes deficit - Overseas	**(2)**	(3)

Movements in the UK Scheme's assets and liabilities were as follows:

	2019 £m	2018 £m
Fair value of Scheme assets:		
Opening balance	**243**	260
Deemed interest income	**6**	6
Return on Scheme assets - Trustee administered funds	**(1)**	(2)
Return on Scheme assets - revaluation of insurance policies	**23**	(9)
Benefits paid/transfers out	**(13)**	(11)
Administrative and settlement costs	**(1)**	(1)
Closing balance	**257**	243
Present value of Scheme liabilities:		
Opening balance	**(188)**	(203)
Deemed interest cost	**(5)**	(5)
Past service cost	**(3)**	-
Actuarial (losses)/gains	**(22)**	9
Benefits paid/transfers out	**13**	11
	(205)	(188)
Scheme surplus	**52**	55

In 2017 the Group reported that the Trustee had insured the Scheme's defined benefit liabilities through the purchase of a bulk annuity 'buy-in' policy from Rothesay Life. The policy is in the name of the Scheme and is a Scheme asset.

During 2019 the Trustee commenced proceedings to 'buy-out' the Scheme's liabilities, a process that will enable the Trustee to exchange the Scheme's bulk annuity policy for individual policies issued to, and directly held, by the Scheme's beneficiaries. To proceed with the 'buy-out', the Sponsor and Trustee commenced the wind-up of the Scheme. Prior to this, the Trustee had no right to unilaterally wind-up, or otherwise augment the benefits due to members and based on those limitations the net surplus was recognised in full by the Group. Under UK legislation, once a Scheme commences wind-up, the assets of the Scheme pass unconditionally to the Trustee to enable it to settle the Scheme's liabilities. As a result, the Group has applied the requirements of IFRIC 14, restricting the Group's recognition of the net surplus by applying an asset recognition ceiling. The asset ceiling is recorded in other comprehensive income.

During the wind-up period, the Group will continue to restrict the recognition of the net surplus. During 2019, member benefits have been augmented resulting in a £3m past service cost which has been recorded as an exceptional costs in the Income Statement. Costs associated with the settlement of the Scheme's liabilities are recorded as exceptional costs in the Income Statement. Settlement costs amounted to £1m in 2019.

Following the full settlement of the Scheme's liabilities the Scheme will be wound up and the Sponsor expects to receive the remaining assets. Any repayment received will also be subject to applicable taxes at that time, currently 35%.

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

	2019 £m	2018 £m
Operating profit	**142**	93
Adjustments for:		
- Share-based payment charge	**5**	5
- Pension scheme past service and settlement costs	**4**	1
- Depreciation of property, plant and equipment	**13**	13
- Depreciation of right-of-use assets	**21**	-
- Amortisation of intangible assets	**27**	26
- Amortisation of intangible assets arising on consolidation	**42**	40
- Impairment of intangible assets arising on consolidation	**24**	65
- Loss on disposal of property, plant and equipment	**1**	-
- Loss on disposal of associates	**-**	1
- Impairment of associates	**-**	3
- Remeasurement of deferred consideration	**6**	5

Operating cash flows before movement in working capital	**285**	252
Increase in trade and other receivables	**(24)**	(37)
(Decrease)/increase in net settlement and trading balances	**8**	(14)
Increase in trade and other payables	**4**	1
Decrease in provisions	**(5)**	(1)
(Decrease)/increase in non-current liabilities	**(2)**	13
Retirement benefit scheme contributions	**(1)**	(1)
Cash generated from operations	**265**	213
Income taxes paid	**(64)**	(30)
Interest paid	**(41)**	(34)
Interest paid - finance leases	**(12)**	-
Cash from operating activities	**148**	149

14. Analysis of net funds

2019	**At 1 January £m**	**Adoption of IFRS 16**	**Cash flow £m**	**Non-cash items £m**	**Exchange differences £m**	**At 31 December £m**
Cash	**670**	**-**	**21**	**-**	**(13)**	**678**
Cash equivalents	**10**	**-**	**(2)**	**-**	**-**	**8**
Overdrafts	**(13)**	**-**	**3**	**-**	**-**	**(10)**
Cash and cash equivalents	**667**	**-**	**22**	**-**	**(13)**	**676**
Financial investments	**133**	**-**	**20**	**-**	**(5)**	**148**
Total funds	**800**	**-**	**42**	**-**	**(18)**	**824**
Bank loan due within one year	**(52)**	**-**	**52**	**-**	**-**	**-**
Loans from related parties	**-**	**-**	**3**	**-**	**(3)**	**-**
Sterling Notes June 2019	**(80)**	**-**	**82**[1]	**(2)**	**-**	**-**
Sterling Notes January 2024	**(510)**	**-**	**97**[1]	**(27)**	**-**	**(440)**
Sterling Notes May 2026	**-**	**-**	**(241)**[1]	**(8)**	**-**	**(249)**
Lease liabilities	**-**	**(145)**	**33**[1]	**(32)**	**4**	**(140)**
Total debt	**(642)**	**(145)**	**26**	**(69)**	**1**	**(829)**
Total net funds/(debt)	**158**	**(145)**	**68**	**(69)**	**(17)**	**(5)**
2018						
Cash	609	-	43	(1)	19	670
Cash equivalents	13	-	(3)	-	-	10
Overdrafts	-	-	(13)	-	-	(13)
Cash and cash equivalents	622	-	27	(1)	19	667
Financial investments	139	-	(4)	-	(2)	133
Total funds	761	-	23	(1)	17	800
Bank loan due within one year	-	-	(52)	-	-	(52)
Sterling Notes June 2019	(80)	-	4[1]	(4)	-	(80)
Sterling Notes January 2024	(509)	-	26[1]	(27)	-	(510)
Total debt	(589)	-	(22)	(31)	-	(642)
Total net funds	172	-	1	(32)	17	158

1. *Principal changes plus payment of interest and debt issue costs where applicable.*

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 2019 cash and cash equivalents, net of overdrafts, amounted to £676m (2018: £667m). 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 investments comprise short term government securities, term deposits and restricted funds held with banks and clearing organisations.

Non-cash items represent additions to lease liabilities, accrued interest, the amortisation of debt issue costs and the impact of IFRS 9's expected credit loss requirements.

15. Provisions

2019	Property £m	Re-structuring £m	Legal and other £m	Total £m
At 1 January	**14**	**10**	**37**	**61**
Charge to income statement	**-**	**8**	**23**	**31**
Utilisation of provisions	**-**	**(10)**	**(26)**	**(36)**
Adoption of IFRS 16:				
- onerous lease provisions offset against right-of-use assets	**(7)**	**-**	**-**	**(7)**
Effect of movements in exchange rates	**(1)**	**-**	**(1)**	**(2)**
At 31 December	**6**	**8**	**33**	**47**

2018				
At 1 January	5	27	29	61
Charge to income statement	11	10	7	28
Utilisation of provisions	(2)	(27)	-	(29)
Effect of movements in exchange rates	-	-	1	1
At 31 December	14	10	37	61

	2019 £m	2018 £m
Included in current liabilities	**21**	31
Included in non-current liabilities	**26**	30
	47	61

Property provisions outstanding as at 31 December 2019 relate to provisions in respect of building dilapidations, representing the estimated cost of making good dilapidations and disrepair on various leasehold buildings. Onerous provisions as at 31 December 2018 have been offset against the right-of-use asset arising on the adoption of IFRS 16 (Note 2(d)).

Restructuring provisions outstanding as at 31 December 2019 relate to termination and other employee related costs. The movement during the year reflects the actions taken under the Group's integration of ICAP and other business reorganisations. It is expected that the remaining obligations will be discharged during 2020.

Legal and other provisions include provisions for legal claims brought against subsidiaries of the Group together with provisions against obligations for certain long-term employee benefits and non-property related onerous contracts. At present the timing and amount of any payments are uncertain and provisions are subject to regular review. It is expected that the obligations will be discharged over the next 25 years.

European Commission Yen LIBOR
In February 2015 the European Commission imposed a fine of £13m (€15m) on NEX International Limited (formerly ICAP plc), ICAP Management Services Limited and ICAP New Zealand Limited for alleged competition violations in relation to the involvement of certain of ICAP's brokers in the attempted manipulation of Yen LIBOR by bank traders between October 2006 and January 2011. While this matter relates to alleged conduct violations prior to completion of the Group's acquisition of the ICAP global broking business, it is noted that the fine imposed by the European Commission has been appealed, seeking a full annulment of the Commission's decision. In the event that the Commission imposes a fine in excess of €15m such excess will be borne by NEX Group plc ('NEX'). In November 2017, the European General Court granted a partial annulment of the Commission's findings. The Commission appealed this decision in February 2018 and the Group served its reply during April 2018. A decision from the Courts of Justice of the European Union was received on 10 July 2019 which determined that the decision of the European Commission in relation to the competition violations still stands but the decision of the European Commission imposing the fine was annulled. The European Commission is likely to adopt new articles in relation to a fine however and the Group has retained a £8m (€10m) provision in its accounts in connection with this matter.

CFTC Investigation
In June 2018, the Group recorded an exceptional legal provision in the amount of £8m (US$10m) in connection with an ongoing regulatory investigation into its subsidiary, Tullett Prebon Americas Corp. ('TPAC'), relating to alleged broker conduct on the TPAC USD Medium Term Interest Rate Swaps desk in 2013 and 2014. In September 2019, TPAC settled this matter with the CFTC for an aggregate amount of £11m (US$13m) and the matter is now concluded.

FCA Investigation
On 11 October 2019 the FCA issued its Final Notice in respect of its investigation into Tullett Prebon Europe Limited ("TPEL"). The FCA imposed a financial penalty on TPEL of £15m. The matter related to certain trades undertaken between 2008 and 2011 which were alleged to have no commercial rationale or economic purposes, on which brokerage was paid and the failure by TPEL to discover certain audio files and produce them to the FCA in a timely manner. The FCA found that certain former

managers in TPEL's Global Broking Division and in TPEL's Compliance Department failed to act with due skill, care and diligence. It was found that at the time there were inadequate systems and controls in place to deal with the risk of improper broker conduct. The investigation also related to the account given by TPEL to the FCA as to how those files were discovered.

16. Contingent liabilities

Bank Bill Swap Reference Rate case

On 16 August 2016, a litigation was filed in the United States District Court for the Southern District of New York naming Tullett Prebon plc, ICAP plc, ICAP Australia Pty LTD and Tullett Prebon (Australia) Pty. Limited as defendants together with various Bank Bill Swap Reference Rate ('BBSW') setting banks. The complaint alleges collusion by the defendants to fix BBSW-based derivatives prices through manipulative trading during the fixing window and false BBSW rate submissions. On 26 November 2018, the Court dismissed all of the claims against the TP ICAP defendants and certain other defendants. On 28 January 2019 the Court ordered that a stipulation signed by the Plaintiffs and the TP ICAP defendants meant that the TP ICAP defendants were not required to respond to any Proposed Second Amended Class Action Complaint ('PSAC') that the Plaintiffs were seeking to file. On 3 April 2019 the Plaintiffs filed a PSAC. However the TP ICAP defendants have no obligation to respond. The Plaintiffs have reserved the right to appeal the dismissal of the TP ICAP defendants but have not as yet done so. It is not possible to predict the ultimate outcome of the litigation or to provide an estimate of any potential financial impact.

Labour claims - ICAP Brazil

ICAP do Brasil Corretora De Títulos e Varoles Mobiliários Ltda ('ICAP Brazil') is a defendant in 13 (31 December 2018: 19) pending lawsuits filed in the Brazilian Labour Court by persons formerly associated with ICAP Brazil seeking damages under various statutory labour rights accorded to employees and in relation to various other claims including wrongful termination, breach of contract and harassment (together the 'Labour claims'). The Group estimates the maximum potential aggregate exposure in relation to the Labour claims, including any potential social security tax liability, to be BRL 49m (£11m) (31 December 2018: BRL 67m (£14m)). The Group is the beneficiary of an indemnity from NEX in relation to any outflow in respect of materially all of these Labour claims insofar as they relate to periods prior to completion of the Group's acquisition of ICAP. The Company intends to contest liability in each of these matters and to vigorously defend itself. It is not possible to predict the ultimate outcome of these actions.

Flow case - Tullett Prebon Brazil

In December 2012, Flow Participações Ltda and Brasil Plural Corretora de Câmbio, Títulos e Valores ('Flow') initiated a lawsuit against Tullett Prebon Brasil S.A. Corretora de Valores e Câmbio and Tullett Prebon Holdings do Brasil Ltda alleging that the defendants have committed a series of unfair competition misconducts, such as the recruitment of Flow's former employees, the illegal obtainment and use of systems and software developed by the plaintiffs, as well as the transfer of technology and confidential information from Flow and the collusion to do so in order to increase profits from economic activities. The amount currently claimed is BRL 243m (£44m) (31 December 2018: BRL 222m (£45m)). The Group intends to vigorously defend itself but there is no certainty as to the outcome of these claims. The case is currently in an early evidentiary phase.

LIBOR Class actions

The Group is currently defending two LIBOR related actions.

(i) Stichting LIBOR Class Action

On 15 December 2017, the Stichting Elco Foundation, a Netherlands-based claim foundation, filed a writ initiating litigation in the Dutch court in Amsterdam on behalf of institutional investors against ICAP Europe Limited ('IEL'), ICAP plc, Cooperative Rabobank U.A., UBS AG, UBS Securities Japan Co. Ltd, Lloyds Banking Group plc, and Lloyds Bank plc. The litigation alleges manipulation by the defendants of the JPY LIBOR, GBP LIBOR, CHF LIBOR, USD LIBOR, EURIBOR, TIBOR, SOR, BBSW and HIBOR benchmark rates, and seeks a declaratory judgment that the defendants acted unlawfully and conspired to engage in improper manipulation of benchmarks. If the plaintiffs succeed in the action, the defendants would be responsible for paying costs of the litigation, but each allegedly impacted investor would need to prove its own actual damages. It is not possible at this time to determine the final outcome of this litigation, but IEL has factual and legal defences to the claims and intends to defend the lawsuit vigorously. A hearing took place on 18 June 2019 on Defendants motions to dismiss the proceedings. On 14 August 2019 the Dutch Court issued a ruling dismissing ICAP plc from the case entirely but keeping certain claims against IEL relating solely to JPY LIBOR. The Group is covered by an indemnity from NEX in relation to any outflow in respect of the ICAP entities with regard to these matters. It is not possible to estimate any potential financial impact in respect of this matter at this time.

(ii) Swiss LIBOR Class Action

On 4 December 2017, a class of plaintiffs filed a Second Amended Class Action Complaint in the matter of Sonterra Capital Master Fund Ltd. et al. v. Credit Suisse Group AG et al. naming as defendants, among others, TP ICAP plc, Tullett Prebon Americas Corp., Tullett Prebon (USA) Inc., Tullett Prebon Financial Services LLC, Tullett Prebon (Europe) Limited, Cosmorex AG, ICAP Europe Limited, and ICAP Securities USA LLC (together, the 'Companies'). The Second Amended Complaint generally alleges that the Companies conspired with certain bank customers to manipulate Swiss Franc LIBOR and prices of Swiss Franc LIBOR based derivatives by disseminating false pricing information in false run-throughs and false prices published on screens viewed by customers in violation of the

Sherman Act (anti-trust) and RICO. On 16 September 2019, the Court granted the Companies' motions to dismiss in their entirety. The plaintiffs have appealed the dismissal to the United States Court of Appeals for the Second Circuit. The Companies intend to contest liability in the matter and to vigorously defend themselves. It is not possible to predict the ultimate outcome of this action or to provide an estimate of any potential financial impact.

ICAP Securities Limited, Frankfurt branch - Frankfurt Attorney General administrative proceedings

On 19 December 2018, the Attorney General's office of Frankfurt notified ICAP Securities Limited (Frankfurt Branch) ('ISL'), that administrative offence proceedings have been initiated against ISL in connection with criminal investigations into two former employees and a former Director of ISL suspected of aiding and abetting tax evasion for the benefit of a third party between 2007 and 2008. The Attorney General's office is considering imposing a corporate administrative fine against ISL or confiscating the earnings that ISL derived from the underlying alleged criminal conduct by the former employees and former Director. Not all details of the alleged wrongdoing or of the case against ISL are yet available. External lawyers have been instructed to represent ISL and to seek further access to the Attorney General's case file. As a result, it is not possible at this stage to provide a reliable estimate of any potential financial impact on the Group.

General note

The Group operates in a wide variety of jurisdictions around the world and uncertainties therefore exist with respect to the interpretation of complex regulatory, corporate and tax laws and practices of those territories. Accordingly, and as part of its normal course of business, the Group is required to provide information to various authorities as part of informal and formal enquiries or market review.

From time to time the Group's subsidiaries are engaged in litigation in relation to a variety of matters. The Group's reputation may also be damaged by any involvement or the involvement of any of its employees or former employees in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material.

Save as outlined above in respect of legal matters or disputes for which a provision has not been made, notwithstanding the uncertainties that are inherent in the outcome of such matters, there are no individual matters which are considered to pose a significant risk of material adverse financial impact on the Group's results or net assets.

The Group establishes provisions for taxes other than current and deferred income taxes, based upon various factors which are continually evaluated, if there is a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

In the normal course of business, certain of the Group's subsidiaries enter into guarantees and indemnities to cover trading arrangements and/or the use of third party services or software.

OTHER INFORMATION

The Annual General Meeting of TP ICAP plc will be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD on 13 May 2020 at 2.15pm.

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Independent Auditors' Report to the Members of TP ICAP plc on the Preliminary Announcement of TP ICAP plc

As the independent auditor of TP ICAP plc we are required by UK Listing Rule LR 9.7A.1(2)R to agree to the publication of TP ICAP plc's preliminary announcement statement of annual results for the year ended 31 December 2019.

The preliminary statement of annual results for the year ended 31 December 2019 includes operational performance, strategic highlights, financial highlights, the dividend statement, the CEO review, financial review, the consolidated financial statements and disclosures required by the Listing Rules. We are not required to agree to the publication of presentations to analysts.

The directors of TP ICAP plc are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules".

Status of our audit of the financial statements

Our audit of the annual financial statements of TP ICAP plc is complete and we signed our auditor's report on 10 March 2020. Our auditor's report is not modified and contains no emphasis of matter paragraph.

Our audit report on the full financial statements sets out the following key audit matters which had the greatest effect on our overall audit strategy; the allocation of resources in our audit; and directing the
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efforts of the engagement team, together with how our audit responded to those key audit matters and the key observations arising from our work:

Name Passing revenue	
Key audit matter description	Name Passing revenue is earned for the service of matching buyers and sellers of financial instruments. The Group is not a counterparty to the trade and commissions are invoiced for the service provided by the Group. It accounts for the majority of the Group's revenue of £1,833m. As invoices for services provided are not issued until the end of each month, the cash collection period is typically longer than for other revenue streams. We identified a risk of material misstatement of revenue, due to fraud or error, related to invoices past due or where post year-end trade adjustments or credit notes arise.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls relating to Name Passing invoicing and cash collection. We confirmed a sample of trades to cash received throughout the year. We agreed a further sample of Name Passing transactions, which were outstanding at year-end, to cash received post year-end or where amounts remained unpaid to other evidence to corroborate the validity of the revenue booked. We reviewed communications with counterparties and tested a sample of post year-end trade adjustments and credit notes to evaluate whether these items were accurate and valid.
Key observations	No issues were identified through our testing of past due Name Passing revenue or in relation to post year-end trade adjustments and credit notes.

Impairment of goodwill and other intangibles	
Key audit matter description	As required by IAS 36, goodwill and other intangible assets are reviewed for impairment at least annually. Determining whether the goodwill of £993m, other intangible assets arising on consolidation of £518m and other intangible assets of £61m are impaired requires an estimation of the recoverable amount of the Group's cash generating units ("CGUs"), using the higher of the value in use or fair value less costs to sell. The value in use approach was used to assess the recoverable amount of all CGUs. The value in use approach involves discounting expected future cash flows and hence requires the selection of suitable discount rates and forecast future growth rates. It is therefore inherently subjective with an increased risk of material misstatement due to error or fraud. The value in use of each CGU can be sensitive to changes in underlying assumptions. We focused our testing on the Asia Pacific CGU where we identified increased sensitivity to the forecast future growth rate and discount rate assumptions. An impairment of £24m was recorded in the year for the Asia Pacific CGU.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls relating to the impairment of goodwill and other intangibles. We performed detailed analysis of the Group's assumptions used in the annual impairment review, in particular forecast future growth rates, the cash flow projections and discount rates used by the Group in its impairment tests of the CGUs. We challenged cash flow forecasts and growth rates by evaluating recent performance, trend analysis and comparing growth rates to those achieved historically and to external market data where available. We worked with our internal valuations specialists to independently derive discount rates which we compared to the rates used by the Group and we benchmarked discount rates to available external peer group data. We re-performed the Group's assessment of whether the impairment tests were sensitive to reasonably possible changes in assumptions and cash flows to determine whether the Group's disclosures of sensitivities in the financial statements were sufficient and appropriate.
Key observations	We concluded that the Directors' valuation used in the impairment test and the recognition of an impairment charge in respect of the Asia Pacific CGUs was appropriate. The cash flow forecasts used in the annual impairment review were consistent with the most recent financial budgets approved by the Board and were reasonable in the context of recent business performance. The growth rates used by management were reasonable and the discount rate was within a reasonable range.

Presentation and disclosure of integration related items	
Key audit matter description	The Group reports profit before "acquisition, disposal and integration related items" of £115m before taxation of which £34m related to integration. Judgement is required in determining and applying the Group's policy on integration related items. There is a risk that items that reflect the underlying performance of the Group are incorrectly presented as integration related items, whether due to fraud or error. In addition, there is a risk that undue prominence is given to underlying results compared to the statutory results of the Group.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls relating to the classification of items as integration related. We reviewed the recognition of integration related items to assess whether it was in line with the Group's policy. For a sample of items we obtained supporting evidence to assess whether the items relate to integration or should be presented as part of the Group's underlying results. We challenged the prominence given to underlying results relative to the Group's statutory results and whether the presentation was misleading. We read the description of the basis of underlying results and whether it was consistently applied. We also tested the completeness and accuracy of the reconciliation between underlying and statutory results.
Key observations	We did not identify any material items that did not meet the Group's policy on integration related items set out in Note 2(c). We considered that the presentation of the Group's underlying results is appropriately explained, is understandable and that the reconciliation to the Group's statutory results is complete and accurate. We considered that appropriate prominence has been given to the statutory results.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we did not provide a separate opinion on these matters.

Procedures performed to agree to the preliminary announcement of annual results

In order to agree to the publication of the preliminary announcement of annual results of TP ICAP plc we carried out the following procedures:

(a) checked that the figures in the preliminary announcement covering the full year have been accurately extracted from the audited financial statements and reflect the presentation to be adopted in the audited financial statements;

(b) considered whether the information (including the management commentary) is consistent with other expected contents of the annual report;
(c) considered whether the financial information in the preliminary announcement is misstated;
(d) considered whether the preliminary announcement includes a statement by directors as required by section 435 of CA 2006 and whether the preliminary announcement includes the minimum information required by UKLA Listing Rule 9.7A.1;
(e) where the preliminary announcement includes alternative performance measures ("APMs"), considered whether appropriate prominence is given to statutory financial information and whether:
- the use, relevance and reliability of APMs has been explained;
- the APMs used have been clearly defined, and have been given meaningful labels reflecting their content and basis of calculation;
- the APMs have been reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period; and
- comparatives have been included, and where the basis of calculation has changed over time this is explained.

(f) read the management commentary, any other narrative disclosures and any final interim period figures and considered whether they are fair, balanced and understandable.

Use of our report

Our liability for this report, and for our full audit report on the financial statements is to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for our audit report or this report, or for the opinions we have formed.

Alan Chaudhuri
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
10 March 2020

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