Financial and Interim Management Report

Released : 07.08.18 07:00

RNS Number : 9895W
TP ICAP PLC
07 August 2018

TP ICAP PLC

Financial and Interim Management Report - for the six months ended 30 June 2018

TP ICAP plc (the "Company") today announces its results for the six months ended 30 June 2018.

Business highlights

- Solid performance achieved from our diversified business portfolio
- Revenues of £910m, 2% lower than H1 2017 at actual exchange rates and 3% higher at constant exchange rates
- Strong performance in Global Broking's Rates and Equities businesses, with revenues up 7% and 20% compared to the previous half year at constant exchange rates
- Energy & Commodities continues to benefit from our strong position in oil despite challenging power and commodities markets in the US
- Total broking contribution increased by 5% to £325m (H1 2017: £309m) at constant exchange rates

Strategic outlook

- A rebased integration programme that balances cost efficiency with the requirement to invest in people and technology to deliver growth
- £13m of synergy savings achieved in the period taking the cumulative run rate to £65m, and a target of £10m to achieve by the completion of the programme at end of 2019
- Accelerating our investment in the Data & Analytics business
- Reaffirming our commitment to develop our buyside business at a more realistic pace

Financial highlights

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

- Revenue of £910m (2017: £925m)
- Operating profit £155m (2017: £144m)
- Operating margin 17.0% (2017: 15.6%)
- Profit before tax £139m (2017: £129m)
- Basic EPS 19.2p (2017: 18.3p)

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

- Operating profit of £50m (2017: £86m) after a £58m goodwill impairment charge
- Operating margin 5.5% (2017: 9.3%)
- Profit before tax £34m (2017: £71m)
- Basic EPS 2.3p (2017: 10.3p)

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 556.3m.

Dividend

A 5.6p per share interim dividend (2017: 5.6p) will be paid on 9 November 2018 to shareholders on the register at close of business on 5 October 2018.

We have previously said that the dividend will remain at 16.85p throughout the integration period. Our dividend policy remains unchanged.

Outlook

We believe that conditions in our underlying Global Broking business remain supportive for continued growth with market conditions and the normalisation of interest rates improving slowly. Conditions within our Energy & Commodities division remain challenging but the fundamentals of our business and competitive position are strong. We continue to see a number of exciting opportunities in the Data &

Analytics business and we have provided investment to ensure that we can take advantage of those opportunities.

As a business, and a new leadership team, we have taken a realistic approach in the appraisal of the integration programme, our operational capabilities, and the cost headwinds we expect going into 2019. Some of these costs are one-off in nature, and not within our control, but we remain committed to ensuring that resources are allocated correctly and that we spend shareholder's money in the most efficient way possible for the long term success of the Group. The Board expects the 2018 year end result to be in line with current market expectations.

Commenting on the results, Nicolas Breteau, Chief Executive of TP ICAP plc, said:
"I am pleased to report my first set of interim numbers. We now have a clear view of the integration plan and cost base challenges and have recently updated the market with changed synergy targets and cost expectations, which I am confident we can deliver.

"There remains much work to be done in fully harmonising support and operational functions to establish a strong platform for growth. From 2020 onwards we will start to benefit from the organic investments we are making in the business.

"TP ICAP is a business with strong fundamentals. I am looking forward to driving the business forward, building a robust and sustainable business for the future and capitalising on our leading position in the interdealer broking market."

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.

Enquiries:

Analysts and Investors
Sam Dobbyn, Head of FP&A
Direct: +44 (0)20 7200 7147
email: sam.dobbyn@tpicap.com

Jamie Dunkley, Group Media Relations Director
Direct: +44 (0)20 7200 7524
email: jamie.dunkley@tpicap.com

Media
Rebecca Shelley, Group Head of Corporate Affairs
Direct: +44 (0)20 7200 7750
email: rebecca.shelley@tpicap.com

Brian Buckley, Eilis Murphy
Brunswick Group LLP
Direct: +44 (0)20 7404 5959
email: tpicap@brunswickgroup.com

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

Chief Executive's review
TP ICAP's competitive advantages

TP ICAP has a unique opportunity. The Group is a leading broking and data group in the financial and energy sectors. It has an extensive offering for clients, market-leading positions in many products, international reach, a portfolio of trusted brands and a deeply-embedded customer service ethos. The Group continues to build on its position as the largest inter-dealer broker and provider of OTC data in the world.

TP ICAP was created on 30 December 2016 when Tullett Prebon was combined with the ICAP Global Broking business. The combination has significant benefits, including:

- An unrivalled breadth of products in the financial and energy markets, in both execution and data services
- A balanced geographical profile, with a strong presence in the US where the capital and energy markets are the largest in the world
- Access to the deepest pools of OTC liquidity and pricing data, giving a strong competitive position
- Significant resources to enable the Group to attract new desks, incubate new products and nurture new markets
- Acceleration of the diversification of our customer base and entry into the buyside
- E-markets expertise which enables the Group to build and deploy at pace new execution protocols in response to evolving client preferences
- A deeper pool of operations, technology and regulatory knowledge to navigate the increasingly complex environment

Financial performance

Revenues grew by 3% on a constant exchange rate basis to £910m at H1 2018 (and down 2% on a statutory basis). Conditions in financial markets have generally been supportive in the first half of 2018 with an increase in equity volatility at the start of the year supplemented by increases in the US federal fund rates. Volatility and an increasing yield curve are positives for our business and Global Broking, and the Rates and Equities divisions in particular, benefitted from these conditions. Global Broking revenue grew by 5% on a constant exchange rate basis with the Rates and Equities divisions growing by 7% and 20% respectively.

Conditions in our Energy & Commodities division were more challenging with revenues down 3% at constant exchange rates with tougher conditions in US power markets offsetting a continued strong performance in oil. Our Institutional Services division saw increased growth of 6% at constant exchange rates due to the performance of the COEX acquisition, which completed in November 2017. Data & Analytics has grown by 4% at constant exchange rates and more pleasingly expanded its margin due to the measures taken by its new CEO Eric Sinclair.

Taking into account these underlying conditions the performance of the business was robust. We achieved an underlying operating profit of £155m, an increase of 8% over the £144m reported in H1 2017. Our underlying operating profit margin of 17.0% was 1.4 percentage points higher than H1 2017.

Statutory operating profit of £50m is lower than the £86m H1 2017 operating profit. Statutory operating profit in H1 2018 includes a £58m impairment of goodwill.

As we set out in our Trading Update on 10 July 2018 there are a number of cost headwinds facing the business in 2018 and 2019, including the cost of Brexit, legal and regulatory costs, IT security and MiFID II. In the Financial Review of this report we set out in more detail our guidance on these and other financial metrics.

Rebasing the integration

During Q2 2018 the Board initiated a detailed review of the progress of the integration and our forward plans against the background of an evolving industry landscape. As a result of this review, the Board also concluded that the integration programme had so far failed to achieve what had been envisaged and did not properly take into account the complexities and interdependencies between various parts of the Group. The integration programme has been reassessed and rebased so that it balances more equally positive financial outcomes with the imperative to maintain a high standard of customer service for the longer-term benefit of the business and our clients. We will now continue the integration programme on a revised basis with clearer prioritisation.

To date we have achieved £65m of annual run rate synergies, so we believe our revised target of £75m is realistic. We expect to have completed the integration and achieved the additional run rate of £10m by the end of 2019.

To date we have spent £103m to achieve £65m of synergy savings. Of this £103m approximately £27m has been spent on consultants, £25m on severance costs and £32m on staff costs associated with the integration. With significant elements of the integration yet to be completed, we estimate further costs to complete the integration of around £60m. This will be required to enable us to achieve the remaining £10m of synergies as well as simplifying our structures, networks and infrastructure, transferring activity which currently takes place on two or more systems to a single one and harmonising our policies and working practices to remove disparities. While these actions and the related spending might not result in direct and immediately identifiable cost savings, they will enable us to upgrade our business more simply and cost-effectively in the future, which is essential if we are to be able to continue to meet client preferences and regulatory requirements in constantly changing markets. We envisage this being recognised as exceptional charges of around £30m in H2 2018 and £30m in 2019.

As part of our revised programme we are scrutinising our cost base and applying greater rigour to our spending decisions to ensure that we clearly direct our spending to matters which assist sustainable revenue generation.

Adopting new performance measures

In the past, we focused on the ratio of broker compensation to broking revenue to assess business performance, and we have continually improved this Key Performance Indicator ('KPI') over the last 10 years to the current level. However, we believe that continuing to focus solely on decreasing this KPI could result in slower growth in, or loss of existing, revenues. Additionally, this focus could be detrimental to retaining existing and hiring good quality broking talent, as well as evaluating bolt on acquisitions, all of which could contribute to an increase in revenue and earnings for TP ICAP.

Furthermore, the single measure of broker compensation to revenues does not take into account a number of factors that are relevant to making an informed evaluation of the performance of a product or desk, such as the extent of operational and IT support required, the capital usage, the stage of maturity of the market, the degree of regulation, our ability to win ancillary business, the importance of the product to our clients, the market rate of remuneration and the actions of our competitors.

In the future we will use additional metrics to measure our performance that are aligned with our goals of protecting the business and achieving growth of revenues and earnings, while managing our cost base efficiently.

We will focus on revenues and broking contribution (being broker revenues less direct costs, which include compensation, direct transaction costs such as settlement and clearing fees, market data feeds and front office technology). We will focus on both the absolute totals of revenues and contribution, and the amounts per head.

We will also apply rigour to our indirect costs so that, alongside growing revenues and contribution, we achieve growth in operating profit.

Our plans for investment

TP ICAP is organised into four business divisions and we are pursuing distinct strategies for each of them. Our strategy remains unaltered but we recognise that we need additional investment in some areas of the business in particular Institutional Services and Data & Analytics.

Global Broking has a wide range of products and a presence in all the major financial centres in the world. Global Broking is active in many individual markets, each with different characteristics, and has leading market shares in a number of major products. It provides clients with a full range of execution methods to suit the nature of product, market structure, market conditions, size of order, client preference and other factors. The business has a proven record of devising practical solutions to apply to the challenges and issues that our customers face in a constantly evolving and complex environment. Alongside its execution activities, the division offers post trade risk mitigation services.

In Global Broking we continue to widen our breadth and reach, fill gaps in our product and geographical coverage and expand the range of execution protocols that we offer. We are enhancing our platforms through adding functionality and technology that electronifies elements of client-broker interaction whilst also maintaining the depth and trust of the relationship, eases workflows, improves data capture, enriches our analytics offering and automates post-trade processing.

To facilitate client access to our liquidity pools across our wide range of products, we are creating hubs where families of related products can be transacted together efficiently. We are making it easier for clients to consume our services by creating a single point of access from which they can to view liquidity across our brands.

We are cautiously optimistic regarding market conditions for Global Broking, with the long period of ultra-low interest rates coming to an end and quantitative easing being slowly curtailed. We have seen early positive signs of this in the performance of our rates business where revenues have increased by 7% at constant exchange rates. The normalisation of interest rates should result in increased demand for rates and credit trading and hedging strategies, and we see major investment banks tentatively returning to more trading activity, although we do not expect this to be at the level seen before the global financial crisis.

Energy & Commodities is an established business with leading market shares in a number of its products which include oil, power and gas, coal, iron ore, metals, renewables and others. It is present in the major energy hubs in the world and covers a very broad range of clients including banks, trading companies, governmental organisations, corporates and hedge funds. It provides high quality broking services, including price and volume discovery and negotiation assistance.

In Energy & Commodities we continue to add expertise to deepen and broaden our offering. We are linking desks across geographies where that results in more effective coverage and better outcomes for our clients. As execution protocols evolve we invest to protect and develop our franchises and market positions. We will deploy technologies that improve the workflows for our brokers and enable them to tailor more precisely the information they provide customers to suit their specific and individual requirements.

Market conditions in the Energy & Commodities sector are heavily influenced by events which are unpredictable and outside our control such as the weather, global shipping patterns, economic growth or contraction, as well as geopolitical events. The solid performance of our business is testament to the diversity of our range of products and our wide geographic footprint.

Institutional Services is our newest business division and covers the broad category of buyside clients. We provide high touch services to our clients in FX, FX options and listed derivatives from our operations based in EMEA and the US.

The addressable market for Institutional Services is sizeable. The development of client activity is taking longer than we originally envisaged because of the process we need to go through to be approved as a service provider, and the complex agreements that must be put in place before we can transact with clients. Both of these have proven to be more onerous and time-consuming than in our Global Broking and Energy & Commodities execution businesses, and as a result the growth of this division has been slower and more expensive than expected.

We remain wholly committed to winning buyside client business which we are convinced is a significant opportunity for the Group. We have recognised that we must adapt how we execute so that we can achieve this aim in a way and on a timescale that produces acceptable returns for our investment.

We will continue to assess the most effective way to grow our buyside presence and give those clients access to the wealth of products and range of execution, e-markets and post-trade services that we provide elsewhere in the Group.

Data & Analytics is the leading provider of neutral OTC pricing data, with huge depth and breadth of product and a library going back several years. This is rare and valuable content. Its major clients are financial institutions and financial data providers and it is building a roster of energy and corporate customers.

We have made significant changes to our Data & Analytics business since November 2017 under the leadership of its new CEO, Eric Sinclair. We have restructured our salesforce to deepen our client relationships and win new business more efficiently, introduced a channel management function to optimise our relationship with our distribution partners, formalised a partnership between our Data & Analytics and broking businesses to link them more closely together and ensure that we extract the full symbiotic benefit that accrues to all divisions across the Group, and started a programme of client audits to ensure that we are fully remunerated for the usage clients obtain from our products.

Looking forward, we aim to expand our data inventory by capturing more information from our broking businesses. We will extract data from our MiFID II venues since one of the consequences of the regulation is that far more data is recorded and can be harvested than before. We are developing a regular pipeline of new product launches which will meet client demand as regulation drives the need for neutral pricing data from independent sources. We will provide our data products through cloud technologies, opening them up to a large, diverse customer base, at a low cost.

We see considerable potential for Data & Analytics, but we recognise that to capture this fully will require a sustained commitment, significant financial investment, expanded capacity in the division and new skills added to our support functions. We have put in place the foundations for this, balancing these factors alongside the investment to be made elsewhere in the Group. We believe that there is significant growth to be achieved, and this will be done over the medium-term.

Building for the future

We currently spend around £130m a year on technology, in cash terms, and have an ongoing programme of installing new and faster communications, building better connectivity to clients, upgrading to more resilient infrastructure, providing better security and cyber-protection across the Group, enriching the functionality of our screens and platforms and improving the robustness of our post-trade processing architecture. This continuously enhances the performance of both our front office support and control functions and increases the confidence our clients have that they can transact with us easily and safely. We expect to maintain spending at these levels to ensure we can continue to meet evolving client demand in fast-moving markets.

In addition to this extensive programme of continuing work, we have selected six initiatives for the organic development of our business which we intend to pursue over the next two to three years. The investment for these is £15m. Around £9m of this will be invested in our Data & Analytics business, which represents a significant investment in this area. This will enable us to put in place systems to capture, sort, cleanse, test, label and store as yet untapped and uncommercialised data from the execution businesses, enhance our quality assurance function so that we maintain high standards of product integrity, increase our sales and marketing effort globally, and install the connectivity to clients so that they can consume our products conveniently. We will also invest in a continuous programme of new product launches and will add specific subject matter expertise to the team.

The remaining £6m will be invested in electronic projects in our broking divisions and will enhance client connectivity, add enhancements to the broker-client relationship, ease elements of workflow, improve data capture, and improve our analytical capabilities. We plan to invest in other growth initiatives as and when the opportunities become available.

Brexit

The Group is implementing its plans to prepare for the UK's departure from the EU in March 2019. The Group has chosen Paris to be its EU headquarters from where its European based business will be managed and run after 29 March 2019. The Group is a major shareholder in iSwap, which is also partly owned by a number of investment banks. The Group currently expects that iSwap will choose Amsterdam as the location of its business after 29 March 2019.

Outlook

We believe that conditions in our underlying Global Broking business remain supportive for continued growth with market conditions and the normalisation of interest rates improving slowly. Conditions within our Energy & Commodities division remain challenging but the fundamentals of our business and competitive position are strong. We continue to see a number of exciting opportunities in the Data & Analytics business and we have provided investment to ensure that we can take advantage of those opportunities. As a result of the above we reiterate our guidance of low single digit revenue growth, at constant exchange rates, in 2018.

As a business, and a new leadership team, we have taken a realistic approach in the appraisal of the integration programme, our operational capabilities, and the cost headwinds we expect going into 2019. Some of these costs are one off in nature, and not within our control, but we remain committed to ensuring that resources are allocated correctly and that we spend shareholder's money in the most efficient way possible for the long term success of the Group. The Board expects the 2018 result to be in line with current market expectations.

Conclusion

I would like to record my own and the Board's sincere thanks to all the Group's employees who have maintained their focus on delivering excellent service to our clients. This has been achieved against a backdrop of challenge and disruption caused by the integration. Our business is entirely reliant on the skills and experience of our employees and I look forward to continuing to work with them as we take the Group forward.

I am conscious that shareholders have been disappointed with our performance so I would like to thank shareholders for their support. We appreciate their patience and forbearance in the light of last month's trading update, and we are working hard to deliver the performance and returns that shareholders expect and deserve.

We have previously said that the dividend will remain flat at 16.85p throughout the integration period. Our dividend policy remains unchanged.

TP ICAP continues to be a resilient business with strong fundamentals:

- A market-leading broking and data group in the energy and financials sectors
- Diverse in product and geography, and increasingly in clients
- Access to the deepest pools of OTC liquidity and pricing data, giving a strong competitive position
- A more realistic integration plan, along with plans to create a more agile and collaborative organisation
- Implementing exciting organic initiatives, and investing for future growth

With a robust plan in place, we look forward to reporting back to you on our future progress.

Financial Review

Statutory Income Statement

H1 2018

Income statement £m	**Underlying**	**Acquisition, disposal and integration costs**	**Exceptional items**	**Statutory**
Revenue	**910**	**-**	**-**	**910**
Operating profit	**155**	**-**	**-**	**155**
Net charge relating to legal settlements	**-**	**-**	**(4)**	**(4)**
ICAP integration costs	**-**	**(24)**	**-**	**(24)**
Adjustments to acquisition consideration	**-**	**1**	**-**	**1**
Impairment of intangible assets arising on consolidation	**-**	**(58)**	**-**	**(58)**
Amortisation of intangible assets arising on consolidation	**-**	**(20)**	**-**	**(20)**
Operating profit	**155**	**(101)**	**(4)**	**50**
Net finance expense	**(16)**	**-**	**-**	**(16)**
Profit before tax	**139**	**(101)**	**(4)**	**34**
Tax	**(36)**	**11**	**-**	**(25)**
Share of net profit of associates and joint ventures	**6**	**-**	**-**	**6**
Non-controlling interests	**(2)**	**-**	**-**	**(2)**
Earnings	**107**	**(90)**	**(4)**	**13**
Average number of shares	**556.3m**			**556.3m**
Basic EPS	**19.2p**			**2.3p**

H1 2017 Income statement £m	Underlying	Acquisition, disposal and integration costs	Exceptional items	Statutory
Revenue	925	-	-	925
Operating profit	144	-	-	144
Charge relating to cost improvement programme	-	-	(5)	(5)
ICAP integration costs	-	(28)	-	(28)
Acquisition related share-based payment charge	-	(5)	-	(5)
Amortisation of intangible assets arising on consolidation	-	(20)	-	(20)
Operating profit	144	(53)	(5)	86
Net finance expense	(15)	-	-	(15)
Profit before tax	129	(53)	(5)	71
Tax	(33)	13	1	(19)
Share of net profit of associates and joint ventures	6	-	-	6
Non-controlling interests	(1)	-	-	(1)
Earnings	101	(40)	(4)	57
Average number of shares	552.4m			552.4m
Basic EPS	18.3p			10.3p

Our key financial and performance indicators for the first half of 2018 are summarised in the table below together with comparatives from the equivalent period in 2017.

	H1 2018	H1 2017	Change
Global Broking revenue	**£672m**	£670m	+0%
Energy & Commodities revenue	**£167m**	£182m	-8%
Institutional Services revenue	**£17m**	£16m	+6%
Data & Analytics revenue	**£54m**	£57m	-5%
Total revenue	**£910m**	£925m	-2%
Underlying operating profit	**£155m**	£144m	+8%
Underlying operating margin	**17.0%**	15.6%	+1.4% pts
Statutory operating profit	**£50m**	£86m	-42%
Statutory operating margin	**5.5%**	9.3%	-3.8% pts
Average broker headcount	**2,746**	2,904	-5%
Average revenue per broker (£'000)	**312**	299	+4%
Average contribution per broker (£'000)	**118**	107	+10%
Broking contribution (£m)*	**325**	309	+5%
Broking contribution margin	**38.0%**	37.3%	+0.7% pts
Data & Analytics gross contribution margin	**64.8%**	61.5%	+3.3% pts
Broker headcount - period end	**2,734**	2,842	-4%
Broker support headcount - period end	**1,707**	1,882	-9%
Broker compensation costs: broking revenue	**51.4%**	50.3%	+1.1% pts

* Broking contribution is defined in the Contribution section

Broker headcount decreased to 2,734 at June 2018 from 2,842 in June 2017. Average broker headcount during the first half of 2018 was 5% lower than during the first half of 2017, and with a 4% increase in average revenue per broker, the resulting broking revenue was 3% higher than in the first half of 2017 (at constant exchange rates).

The period-end broking support headcount of 1,707 was 9% lower than at the end of 2017, primarily reflecting the impact of headcount reductions as part of the actions taken to achieve synergy savings.

The tables below analyse revenue by business division as well as revenue and underlying operating profit by region for the first half of 2018 compared with the equivalent period in 2017.

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 show revenue for H1 2017 translated at the same exchange rates as those used for H1 2018, with growth rates calculated on the same basis. The statutory revenue figures as reported for H1 2017 are shown in Note 5 to the Condensed Consolidated Financial Statements.

Revenue

Total revenue of £910m in H1 2018 was 2% lower than H1 2017 at actual exchange rates and 3% higher at constant exchange rates.

Revenue by business division

£m	H1 2018	H1 2017	Change
Rates	**284**	265	+7%
Credit	**56**	61	-8%
FX & Money Markets	**110**	110	+0%
Emerging Markets	**113**	114	-1%
Equities	**109**	91	+20%
Global Broking	**672**	641	+5%
Energy & Commodities	**167**	172	-3%
Institutional Services	**17**	16	+6%
Data & Analytics	**54**	52	+4%
	910	881	+3%
Exchange translation		44	
Statutory	**910**	925	-2%

Global Broking revenue was 5% higher than H1 2017 at constant exchange rates. The Rates business grew by 7% and benefitted from increased volatility on the back of increases in the US federal funds rate, the proposed ending of the ECB quantitative easing programme and volatility associated with the Italian election. Conditions in credit markets continue to remain challenging with a lack of new issuance as well as restrictions on clients' balance sheets resulting in an 8% reduction in Credit revenue. Equities benefitted from increased volatility in the first quarter of 2018, particularly in the Americas, with a 20% increase compared to prior year. FX & Money Markets and Emerging Markets were both broadly in line with prior year.

Energy & Commodities revenue was 3% lower than H1 2017 at constant exchange rates. The main drivers of revenue were good oil, European power and gas and metals markets. This was offset by weaker US energy markets and reduced coal and iron ore revenue.

Institutional Services revenue has grown by 6% compared to H1 2017 at constant exchange rates driven by the performance of the COEX business in the US.

Data & Analytics revenue was 4% higher than H1 2017 at constant exchange rates as the business continues to expand and grow both its client base and product offering.

Revenue by region

£m	H1 2018	H1 2017	Change
EMEA	**465**	454	+2%
Americas	**322**	303	+6%
Asia Pacific	**123**	124	-1%
	910	881	+3%
Exchange translation		44	
Statutory	**910**	925	-2%

EMEA

TP ICAP revenue for the region was £465m and increased by 2% relative to H1 2017 at constant exchange rates. Global Broking revenue increased overall by 3% driven primarily from strong performance within the Rates and Equities divisions. Various macro market elements have contributed to this, including Brexit, US trade tariffs, uncertainty of US rate changes, noise surrounding UK interest rate moves and adjusting to MiFID II requirements.

There has been a number of desk closures and reorganisations over the period as the business looked to improve broker productivity and maximise contribution. Whilst broking headcount is down 2% since the start of the year overall, the revenue per broker is up 9%.

Energy & Commodities revenue rose by 1% with revenues from liquified natural gas, in particular, growing strongly year on year. In contrast, other commodity product areas have been much slower, with revenues down 9% on average. Revenues from oil products overall were flat year on year.

Institutional Services has seen a 24% drop year on year with revenues from the Mirexa business significantly declining with the loss of some established teams that were operating in H1 2017. COEX's performance was in line with the prior year.

Americas

TP ICAP Americas increased revenues by 6% in H1 2018 versus H1 2017 at constant exchange rates. The Americas have reduced underperforming broker headcount since 2016, increasing revenue per broker by 10%, further positioning the business to take advantage of growth opportunities within both the Tullett Prebon and ICAP brands.

Within the Global Broking business, general market conditions improved slightly during H1 2018 leading to increased volatility and trading. Financial markets saw a slight increase in activity in 2018 with interest rate movements.

Americas Rates revenue was up 9% as improved market conditions benefited trading across interest rate derivatives, government bonds and repos. Rates continue to be the Americas' largest asset class.
Equities revenue was up 30% on the back of significantly increased volatility relative to historically low levels of volatility in the U.S. Equities markets in 2017.

Both Emerging Markets and FX & Money Markets businesses saw increased revenues in H1 2018 with year on year increases of 4% and 13%, respectively. Political movement and elections in Latin America helped to benefit trading in the local markets and FX businesses.

U.S. credit markets remained subdued despite heightened activity in other areas of financial markets. However, given the large number of U.S. market participants as well as strategic fits within the competing Tullett Prebon and ICAP brands, Credit continues to be a growth opportunity for the Americas.

The Americas Energy & Commodities business also saw lower revenue in H1 2018. Increased revenue in financial oil products via the acquisition of SCS Commodities in January 2018 were offset by poor year-on-year comparables in US power and natural gas due to the heightened activity in H1 2017 given changing U.S. presidential regimes.

Institutional Services revenue in the Americas has increased significantly in the Americas with 114% growth in COEX.

Asia Pacific
Revenue in Asia Pacific declined by 1% in H1 2018 versus H1 2017 at constant exchange rates, reflecting difficult conditions in the Asian Energy & Commodities business.

The Global Broking business in Asia Pacific grew revenue overall by 3% year on year in the first half of 2018. Revenue growth was driven by growth in the Rates business due to more favourable market conditions, better performance in Asian credit and bond businesses and the hiring of new teams. This was offset by a reduction in revenues in the ICAP business due to the loss of some teams.

Energy & Commodities revenue reduced by 19% year on year due to the impact of market conditions across the region and brands. In particular naphtha trading, iron ore swap revenue and options all saw large overall falls in performance on the back of lower market volumes.

Underlying administrative expenses

Total underlying administrative expenses of £758m in H1 2018 were 4% lower than H1 2017 at actual exchange rates and 2% higher at constant exchange rates.

Underlying administrative expenses

	H1 2018	H1 2017	Change	Change
	£m	£m	£m	%
Broker compensation	**440**	417	23	+6%
Other front office costs	**91**	103	(12)	-12%
Total front office costs	**531**	520	11	+2%
Other staff costs	**120**	125	(5)	-4%
Technology and related costs	**26**	25	1	+4%
Premises and related costs	**27**	25	2	+8%
Depreciation and amortisation	**16**	16	-	+0%
Other administrative costs	**38**	35	3	+9%
Total management and support costs	**227**	226	1	+0%
Total costs	**758**	746	12	+2%
Exchange translation		41	(41)	
Underlying expenses	**758**	787	(29)	-4%

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, and includes the costs associated with the Data & Analytics business.

The presentation above is different from Note 6 of the interim accounts as we have split out front office and management and support costs. The reconciling items between the presentation above and Note 6 included within other front office costs are: £47m of technology costs; £1m of depreciation and amortisation; and £43m of other administrative costs.

Overall the underlying cost base has seen a 2% increase at constant exchange rates to £758m in H1 2018 compared with H1 2017. This has been driven by an increase in total front office costs due to broker compensation. Broker compensation costs increased by £23m during the period reflecting both the 3% increase in revenue at constant exchange rates and an increase in the broker compensation ratio from 50.3% to 51.4%. The increase in broker compensation reflects the impact of the increase in revenue between the two periods, the acquisitions of COEX and SCS and higher amortisation relating to initial contract payments made to brokers in 2017 and H1 2018 to secure their services against increased competition for their talent.

Offsetting this increase has been a £12m reduction in other front office costs that includes lower travel and entertainment spend, a reduction in legal fees and an £8m reduction reflecting the removal of the Group's obligation to rebate revenue to COEX following their acquisition in November 2017.

The £5m reduction in other staff costs is driven by the impact of synergy savings, offset by an increase in other costs principally relating to the acquisitions of COEX and SCS, the establishment of the Institutional Services division, the Belfast operations centre, our Early Talent Programme as well as other corporate initiatives.

Technology and related costs includes the costs of all external technology services, including maintenance contracts, consultancy, market data services and communications costs. During H1 2018 these costs marginally increased on H1 2017 with a modest amount of synergy savings being offset by the impact of acquisitions mentioned above. Premises costs increased by 8% in H1 2018 compared to H1 2017 reflecting the cost of office moves in the US, London and Belfast offset by synergy savings identified across the EMEA region.

Depreciation and amortisation has remained broadly in line with the prior period.

The £3m increase in 'Other administrative costs' includes costs associated with MiFID II and the increase in costs associated with the strengthening of governance functions.

As noted in our 10 July 2018 trading update, administrative expenses are expected to increase by around £10m at constant exchange rates in the second half of 2018 due to costs relating to Brexit, MIFID II, regulatory and legal costs and IT security. Market forces are expected to increase broker compensation in 2018 from 50.3% in FY 2017 to at least 51% and we expect the ratio to be broadly similar in 2019.

2019 will see the cost associated with Brexit, regulatory and legal, and IT security increase from the above-mentioned £10m in 2018 to £25m at constant exchange rates. We expect approximately £10m of this £25m expense to be one off in nature with the remainder recurring into 2020.

In addition, the Group plans to make strategic organic investments of around £15m in Global Broking, Energy & Commodities and the Data & Analytics divisions to accelerate the future growth of the TP ICAP business. These costs will also increase administrative expenses in 2019 at constant exchange rates. We expect these investments to be cash flow positive and earnings accretive by 2020.

Synergy savings and administrative expenses

As at the end of H1 2018, the cumulative annualised synergy savings achieved from the integration programme were £65m, an increase of £13m on the annualised £52m of synergy savings reported at the end of 2017. Of the £13m additional run rate synergies, £5m were recognised in the period.

The table below shows the movement in administrative expenses between H1 2017 versus H1 2018, recategorised to reflect the impact of the movement in synergy savings against other costs between the two periods.

H1 2017 reported	**FX**	**H1 2017 constant**	**Synergy savings**	**New initiatives**	**Net cost increases**	**Net one-off increases**	**Broker compensation**	**Acquired costs**	**H1 2018 reported**
787	(41)	**746**	(23)	5	3	9	14	4	**758**

Overall, total synergy savings recognised in the period amount to £31m. This represents half of the £52m exit run rate synergies reported in 2017, plus £5m of additional synergies recognised in the first half of 2018. The £23m movement in synergy savings between the two periods equals the total £31m synergy savings recognised in H1 2018 less the £8m of synergy savings recognised in H1 2017.

The £5m movement in new initiatives comprises £3m of investment in the Institutional Services business, £1m relating to our new Belfast office and an additional £1m of costs relating to our Early Talent Programme.

The £3m movement in net cost increases reflects an additional £5m of management and support costs, including £2m of costs for new premises in London and New York, offset by a £2m reduction in travel and entertaining costs.

The £9m movement in net one-off increases incudes an additional £2m charge relating to MiFID II, an increase in revenue provisions, a charge reflecting the lower level of capitalisation of staff costs on IT projects and the one-off impact of the acquisition of COEX.

The remaining £18m movement in costs comprises increases of £14m of broker compensation costs (excluding acquisitions) and £4m in additional broker and support costs acquired with the acquisition of SCS. The £14m additional broker compensation is driven by the increase in broking revenue between the two periods and an increase in the broker compensation ratio.

Contribution

Broking contribution represents the revenue of the broking business (excluding Data & Analytics) less the total front office costs described above. An improvement in the absolute level of broking contribution is an important metric in driving earnings growth for the Group.

Broking contribution

At constant exchange rates	**H1 2018**	H1 2017	Change	Change
	£m	£m	£m	%
Revenue	**856**	829	27	+3%
Total front office costs	**(531)**	(520)	(11)	+2%
Contribution	**325**	309	16	+5%
Contribution margin (%)	***38.0%***	*37.3%*	*+0.7% pts*	

In the first half of 2018 contribution increased by £16m or 5% to £325m. The overall contribution margin increased by 0.7 percentage points to 38.0% driven by a 3% increase in revenue at constant exchange rates. The overall level of contribution increased despite an increase in the broker compensation ratio due to higher revenue growth and a reduction in other front office costs.

Data & Analytics contribution

At constant exchange rates	**H1 2018**	H1 2017	Change	Change
	£m	£m	£m	%
Revenue	**54**	52	2	+4%
Direct costs	**(19)**	(20)	1	-5%
Gross contribution	**35**	32	3	+9%
Gross contribution margin (%)	***64.8%***	*61.5%*	*+3.3% pts*	

Data & Analytics contribution represents the revenue of the Data & Analytics business less the direct costs associated with running the business, but excluding the cost of internally generated data from the TP ICAP broking businesses. An improvement in the absolute level of contribution is an important metric in driving earnings growth for the Group.

In the first half of 2018 contribution increased by £3m or 9% to £35m. The overall gross contribution margin increased by 3.3 percentage points to 64.8% driven by a 4% increase in revenue at constant exchange rates, and a 5% reduction in associated costs.

Underlying operating profit

The underlying operating profit of £155m is 8% higher than the prior year, with an underlying operating profit margin of 17.0% which is 1.4 percentage points higher than H1 2017. Underlying earnings per share for H1 2018 of 19.2p are 0.9p higher than for H1 2017, and 16.9p higher than reported.

Statutory operating profit of £50m was 42% lower than in H1 2017, and statutory operating margin of 5.5% is 3.8 percentage points lower than H1 2017. Statutory operating profit is after exceptional and integration, acquisition and disposal related items, and is described further below.

Underlying operating profit by region

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

Revenue **£m**	**H1 2018**	H1 2017	Change
EMEA	**465**	462	+1%
Americas	**322**	333	-3%
Asia Pacific	**123**	130	-5%
Statutory	**910**	925	-2%

Underlying operating profit **£m**	**H1 2018**	H1 2017	Change
EMEA	**97**	92	+5%
Americas	**45**	39	+15%
Asia Pacific	**13**	13	+0%
Underlying	**155**	144	+8%

Underlying operating profit margin by region **£m**	**H1 2018**	H1 2017
EMEA	**20.9%**	19.9%
Americas	**14.0%**	11.7%
Asia Pacific	**10.6%**	10.0%
Underlying	**17.0%**	15.6%

EMEA

Underlying operating profit in EMEA of £97m was 5% higher than H1 2017, and with revenue up 1%, the underlying operating margin has increased by 1.0 percentage point, to 20.9%. These improvements reflect growth in the contribution of the Global Broking business to the overall region.

Americas

In the Americas, the underlying operating profit of £45m is 15% higher than H1 2017 and the underlying operating margin has improved by 2.3 percentage points to 14.0% reflecting higher revenue growth and contribution as well as cost savings from the integration.

Asia Pacific

Underlying operating profit in Asia Pacific remained flat at £13m, while the underlying operating profit margin has increased by 0.6 percentage points to 10.6% with increases in broker compensation being more than offset by reductions in management and support costs as a result of the integration.

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 profit before acquisition, disposal and integration costs and exceptional items. Underlying 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 £24m 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.

A further charge of £20m has been incurred 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. Amortisation of intangible assets arising on consolidation 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 recent 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 Americas CGU has been written down by £58m, which is included as an acquisition related item. It should be noted that this impairment is a non-cash adjustment and does not have an impact on our regulatory capital position, which excludes the carrying value of intangible assets.

The £4m exceptional charge in 2018 relates to an £8m exceptional legal provision in connection with a regulatory investigation in the US offset by the release of a £4m legal provision in relation to the ICAP Yen Libor case in 2013 / 2014 (see Note 16). Exceptional items have been excluded from underlying results as they are non-recurring and do not relate to the underlying performance of the business.

In the second half of 2018 we expect to recognise an onerous lease provision of around £15m in relation to the office moves the Group is currently planning. We expect this to be included as an exceptional item in the year end accounts.

Net finance expense
The underlying net finance expense of £16m is £1m higher than the £15m charged in H1 2017. The finance expense of £18m comprises £15m of interest expense on the Group's Sterling Notes (£13m of which relates to the £500m Sterling Notes issued in January 2017), £1m of fees relating to the amortisation of debt issue and bank facility costs, £1m relating to the revolving credit facility and another £1m of settlement interest expense. The expense is offset by £1m of interest income and £1m of non-cash income on the retirement benefit asset.

For the year ended 2018 we expect the net finance expense to increase to around £35m due to the costs of drawing on the revolving credit facility (see below) and the cost of refinancing the facility. In 2019 we expect net finance expense to increase to £40m due to the expected refinancing on the drawings on the facility as well as the June 2019 £80m Sterling Notes.

Tax
The effective rate of tax on underlying profit before tax is 26% (2017: 26%). The rate is unchanged despite the reduction in the US federal rate of tax due to offsetting measures that broaden the US tax base in this reporting period. The effective rate of tax on reported half year profit before tax is 74%. The outlook for the underlying effective tax rate in 2019 is for a potential reduction of 1% to 25%, as the initial impact of measures broadening the tax base is expected to reduce.

Basic EPS
The average number of shares used for the basic EPS calculation of 556.3m reflects the 563.3m shares in issue less the 2.7m shares held by the Employee Benefit Trust at the beginning of the year, less the difference between the time apportionment elements of the 1.0m of shares acquired by the Employee Benefit Trust in June 2017 to satisfy deferred share awards made to senior management, and the 1.1m of deferred shares meeting their vesting requirements in May. The Employee Benefit Trust has waived its rights to dividends. The calculation also reflects the time apportioned element of the 9.2m shares paid in deferred consideration to the owners of PVM in March 2018.

Cash flow

£m	**H1 2018**	H1 2017
Underlying operating profit	**155**	144
Share-based compensation and other non-cash items	**1**	2
Depreciation and amortisation	**17**	18
EBITDA	**173**	164
Capital expenditure (net of disposals)	**(48)**	(16)
Change in initial contract prepayments	**(16)**	-
Other working capital	**(104)**	(94)
Operating cash flow	**5**	54
Exceptional items - cost improvement programme 2015 / 2017	**-**	(6)
Exceptional items - ICAP acquisition and integration costs	**(24)**	(33)
Share issue costs	**-**	(7)
Share award purchases	**(5)**	(4)
Net interest	**(15)**	(4)
Taxation	**(14)**	(17)
Dividends from associates and non-controlling interests (net)	**4**	7
Acquisition consideration and investments (net of disposals)	**1**	1

Cash flow	**(48)**	(9)

Capital expenditure totalling £48m has increased from the £16m reported in H1 2017 principally due to the impact of office moves in the US, London and Belfast. The capital expenditure on these office moves amounted to £32m as the Group implemented its co-location strategy and centre of excellence programme in Belfast. Also included within this balance is the development of electronic platforms and 'straight through processing' technology, and investment in IT and communications infrastructure of the enlarged Group. Capital expenditure is expected to increase to £80m by the end of 2018 and in 2019 we expect capital expenditure to total approximately £70m, due to the cash cost of further planned office moves in London, as well as the costs of ongoing investments in the business.

The working capital outflow includes a £45m settlement fail which subsequently cleared post the reporting date (in H1 2017 there was a settlement fail of £30m). After adjusting for this the net outflow of £59m (H1 2017: £64m) reflects the higher level of trade receivables at June 2018 compared with the level at December 2017, due to the higher level of business activity towards the end of the half year compared with that towards the year end, as well as an increase in debtor days during the period.

Operating cash flow excluding the settlement fail of £45m therefore amounted to £50m at H1 2018.

The £24m cash outflow relating to the integration of ICAP reflects the one off cost of running the integration.

Cash net interest outflows have increased to £15m in H1 2018 reflecting a full period of paying the interest on the January 2024 £500m bond.

The overall cash outflow amounted to £48m. Excluding the impact of the £45m settlement fail this would reduce to an outflow of £3m.

The movement in cash and debt is summarised below.

£m	**Cash***	**Debt**	**Net**
At 31 December 2017	**761**	**(589)**	**172**
Cash flow	**(48)**	**15**	**(33)**
Dividends	**(63)**	**-**	**(63)**
Revolving credit facility draw down	**87**	**(87)**	**-**
Accrued interest and non-cash items	**(2)**	**(15)**	**(17)**
Effect of movement in exchange rates	**4**	**-**	**4**
At 30 June 2018	**739**	**(676)**	**63**

* Includes financial investments

The revolving credit facility was drawn at the end of June to enable the Group to meet an increase in capital requirements in its UK regulated entities imposed by the FCA following the 2017 SREP audits. We are seeking to reduce this additional requirement over the next 18 months as we continue to strengthen our risk and compliance capabilities.

Of the £739m cash and financial assets balance at the period end, £654m is held in 57 regulated entities to meet regulatory capital, margin and other trading requirements as well as accrued profits, £80m is held in non-regulated entities for working capital requirements as well as accrued profits and £5m is held in corporate holding companies.

The £654m of cash mentioned above remains regulatorily and operationally restricted within the Group's regulated entities.

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

£m	**At 30 June 2018**	At 31 December 2017	At 30 June 2017
5.25% Sterling Notes June 2019	**80**	80	80
5.25% Sterling Notes January 2024	**500**	500	500
Revolving credit facility	**87**	-	-
Unamortised debt issue costs	**(3)**	(3)	(3)
Accrued interest	**12**	12	12
	676	589	589

The Group has a £250m revolving credit facility, maturing in April 2020, of which £87m was drawn as at the balance sheet date.

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 below.

	Average			**Period End**		
	H1 2018	H1 2017	H2 2017	**H1 2018**	H1 2017	H2 2017
US dollar	**$1.38**	$1.26	$1.32	**$1.32**	$1.30	$1.35
Euro	**€1.14**	€1.17	€1.13	**€1.13**	€1.14	€1.13

Guidance

Set out below is a summary of the guidance we have given for 2018 and 2019.

- Costs - £10m of extra costs in 2018, rising to £25m of extra costs in 2019
- Investments - £15m of extra cost in 2019. Cash flow and earnings accretive by 2020
- Broker compensation - expected to be at least 51% in 2018
- Synergies and CTA - £10m of synergies by 2019. £60m of cost to achieve by the end of 2019
- Exceptional items - £15m of onerous lease provisions in H2 2018
- Net finance expense - around £35m in 2018 rising to around £40m in 2019
- Tax rate - 26% for 2018 falling to 25% in 2019
- Capex - £80m in 2018 falling to £70m in 2019

~~~~~~

Condensed Consolidated Income Statement

for the six months ended 30 June 2018

Six months ended 30 June 2018 (unaudited)	Notes	**Underlying £m**	**Acquisition, disposal and integration costs (Note 7) £m**	**Exceptional Items (Note 7) £m**	**Total £m**
Revenue	5	**910**	**-**	**-**	**910**
Administrative expenses	6	**(758)**	**(101)**	**(4)**	**(863)**
Impairment loss on Trade and other receivables		**(1)**	**-**	**-**	**(1)**
Other operating income	8	**4**	**-**	**-**	**4**
Operating profit	5,6	**155**	**(101)**	**(4)**	**50**
Finance income	9	**2**	**-**	**-**	**2**
Finance costs	10	**(18)**	**-**	**-**	**(18)**
Profit before tax		**139**	**(101)**	**(4)**	**34**
Taxation		**(36)**	**11**	**-**	**(25)**
Profit after tax		**103**	**(90)**	**(4)**	**9**
Share of results of associates and joint ventures		**6**	**-**	**-**	**6**
Profit for the period		**109**	**(90)**	**(4)**	**15**
Attributable to:					
Equity holders of the parent		**107**	**(90)**	**(4)**	**13**
Non-controlling interests		**2**	**-**	**-**	**2**
		109	**(90)**	**(4)**	**15**
Earnings per share					
- Basic	11	**19.2p**			**2.3p**
- Diluted	11	**19.1p**			**2.3p**

Six months ended 30 June 2017 (unaudited)					
Revenue	5	925	-	-	925
Administrative expenses	6	(787)	(53)	(5)	(845)
Other operating income	8	6	-	-	6
Operating profit	5,6	144	(53)	(5)	86
Finance income	9	3	-	-	3
Finance costs	10	(18)	-	-	(18)
Profit before tax		129	(53)	(5)	71
Taxation		(33)	13	1	(19)
Profit after tax		96	(40)	(4)	52
Share of results of associates and joint ventures		6	-	-	6
Profit for the period		102	(40)	(4)	58
Attributable to:					
Equity holders of the parent		101	(40)	(4)	57
Non-controlling interests		1	-	-	1
		102	(40)	(4)	58
Earnings per share					
- Basic	11	18.3p			10.3p
- Diluted	11	18.0p			10.1p
~~~~~~

Year ended 31 December 2017	Notes	Underlying £m	Acquisition, Disposal and integration costs (Note 7) £m	Exceptional Items (Note 7) £m	Total £m
Revenue	5	1,757	-	-	1,757
Administrative expenses	6	(1,509)	(128)	(34)	(1,671)
Impairment loss on Trade and other receivables		(2)	-	-	(2)
Other operating income	8	17	1	-	18
Operating profit	5,6	263	(127)	(34)	102
Finance income	9	6	-	-	6
Finance costs	10	(36)	-	-	(36)
Profit before tax		233	(127)	(34)	72
Taxation		(61)	54	10	3
Profit after tax		172	(73)	(24)	75
Share of results of associates and joint ventures		12	-	-	12
Profit for the period		184	(73)	(24)	87
Attributable to:					
Equity holders of the parent		184	(73)	(24)	87
Non-controlling interests		-	-	-	-
		184	(73)	(24)	87
Earnings per share					
- Basic	11	33.3p			15.8p
- Diluted	11	32.7p			15.5p

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2018

	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m (restated)[1]	Year ended 31 December 2017 £m
Profit for the period	**15**	58	87
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension schemes	**(2)**	(43)	(45)
Equity investments at FVOCI - net change in fair value	**6**	-	-
Taxation relating to items not reclassified	**1**	15	16
	5	(28)	(29)
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets (pre IFRS 9)			
- net change in fair value	**-**	(1)	-
- reclassified to profit or loss	**-**	-	(1)
Effect of changes in exchange rates on translation of foreign operations	**15**	(45)	(93)
Taxation relating to items that may be reclassified	**1**	(1)	-
	16	(47)	(94)
Other comprehensive income/(loss) for the period	**21**	(75)	(123)
Total comprehensive income/(loss) for the period	**36**	(17)	(36)
Attributable to:			
Equity holders of the parent	**33**	(18)	(35)
Non-controlling interests	**3**	1	(1)
	36	(17)	(36)

1 *Restated to reflect the finalisation of the acquisition of ICAP (Note 2(e)).*

Condensed Consolidated Balance Sheet

as at 30 June 2018

	30 June 2018	30 June 2017	31 December 2017

	Notes	(unaudited) £m	(unaudited) £m (restated)[1]	£m
Non-current assets				
Intangible assets arising on consolidation	13	**1,581**	1,663	1,642
Other intangible assets		**70**	71	69
Property, plant and equipment		**67**	32	38
Investment in associates		**54**	54	52
Investment in joint ventures		**26**	24	24
Other investments	19	**17**	19	19
Deferred tax assets		**7**	25	2
Retirement benefit assets		**56**	58	57
Other long term receivables		**18**	19	19
		1,896	1,965	1,922
Current assets				
Trade and other receivables		**44,608**	43,991	34,690
Financial investments	19	**131**	71	139
Cash and cash equivalents		**608**	688	622
		45,347	44,750	35,451
Total assets		**47,243**	46,715	37,373
Current liabilities				
Trade and other payables		**(44,480)**	(43,967)	(34,681)
Interest bearing loans and borrowings[2]		**(179)**	(12)	(12)
Current tax liabilities		**(65)**	(46)	(46)
Short term provisions	16	**(28)**	(20)	(42)
		(44,752)	(44,045)	(34,781)
Net current assets		**595**	705	670
Non-current liabilities				
Interest bearing loans and borrowings		**(497)**	(577)	(577)
Deferred tax liabilities		**(113)**	(174)	(116)
Long term provisions	16	**(20)**	(17)	(19)
Other long term payables		**(53)**	(21)	(43)
Retirement benefit obligations		**(4)**	(4)	(4)
		(687)	(793)	(759)
Total liabilities		**(45,439)**	(44,838)	(35,540)
Net assets		**1,804**	1,877	1,833
Equity				
Share capital		**141**	139	139
Share premium		**17**	17	17
Merger reserve		**1,384**	1,378	1,378
Other reserves		**(1,192)**	(1,162)	(1,208)
Retained earnings		**1,439**	1,484	1,494
Equity attributable to equity holders of the parent		**1,789**	1,856	1,820
Non-controlling interests		**15**	21	13
Total equity		**1,804**	1,877	1,833

1 *Restated to reflect the finalisation of the acquisition of ICAP (Note 2(e)).*
2 *Current interest bearing loans and borrowings as at 30 June 2017 has been restated for accrued interest previously included in trade and other payables.*

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018

	Equity attributable to equity holders of the parent										
	Share capital £m	**Share premium account £m**	**Merger reserve £m**	**Reverse acquisition reserve £m**	**Re-valuation reserve £m**	**Hedging and translation £m**	**Own shares £m**	**Retained earnings £m**	**Total £m**	**Non-controlling interests £m**	**Total equity £m**
30 June 2018 (unaudited)											
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))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**	**-**	**(3)**
Adjusted balance at 1 January 2018	**139**	**17**	**1,378**	**(1,182)**	**1**	**(17)**	**(10)**	**1,491**	**1,817**	**13**	**1,830**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13**	**13**	**2**	**15**
Other comprehensive											

	Share capital £m	Share premium account £m	Merger reserve £m	Reverse acquisition reserve £m	Re-valuation reserve £m	Hedging and translation £m	Own shares £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
income/(loss) for the period	**-**	**-**	**-**	**-**	**6**	**15**	**-**	**(1)**	**20**	**1**	**21**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**6**	**15**	**-**	**12**	**33**	**3**	**36**
Issue of ordinary shares	**2**	**-**	**6**	**-**	**-**	**-**	**-**	**(2)**	**6**	**-**	**6**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(63)**	**(63)**	**(1)**	**(64)**
Gain on disposal of equity instruments at FVOCI	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**4**	**-**	**-**	**-**
Share settlement of share-based payment awards	**-**	**-**	**-**	**-**	**-**	**-**	**4**	**(4)**	**-**	**-**	**-**
Own shares acquired for employee trusts	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**	**-**	**(5)**	**-**	**(5)**
Credit arising on share-based payment awards	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1**	**1**	**-**	**1**
Balance at 30 June 2018	**141**	**17**	**1,384**	**(1,182)**	**3**	**(2)**	**(11)**	**1,439**	**1,789**	**15**	**1,804**
30 June 2017 (unaudited, restated[1])											
Balance at 1 January 2017	139	17	1,378	(1,182)	2	75	(6)	1,475	1,898	21	1,919
Profit for the period	-	-	-	-	-	-	-	57	57	1	58
Other comprehensive loss for the period	-	-	-	-	(1)	(46)	-	(28)	(75)	-	(75)
Total comprehensive (loss)/income for the period	-	-	-	-	(1)	(46)	-	29	(18)	1	(17)
Dividends paid	-	-	-	-	-	-	-	(27)	(27)	(1)	(28)
Own shares acquired for employee trusts	-	-	-	-	-	-	(4)	-	(4)	-	(4)
Credit arising on share-based payment awards	-	-	-	-	-	-	-	7	7	-	7
Balance at 30 June 2017	139	17	1,378	(1,182)	1	29	(10)	1,484	1,856	21	1,877

1 *Restated to reflect the finalisation of the acquisition of ICAP (Note 2(e)).*

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2018

	Equity attributable to equity holders of the parent										
	Share capital £m	Share premium account £m	Merger reserve £m	Reverse acquisition reserve £m	Re-valuation reserve £m	Hedging and translation £m	Own shares £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
31 December 2017											
Balance at 1 January 2017	139	17	1,378	(1,182)	2	75	(6)	1,475	1,898	21	1,919
Profit for the year	-	-	-	-	-	-	-	87	87	-	87
Other comprehensive loss for the year		-			(1)	(92)	-	(29)	(122)	(1)	(123)
Total comprehensive (loss)/income for the year		-	-	-	(1)	(92)	-	58	(35)	(1)	(36)
Dividends paid	-	-	-	-	-	-	-	(58)	(58)	(1)	(59)
Own shares acquired for employee trusts	-	-	-	-	-	-	(4)	-	(4)	-	(4)
Equity repayment to non-controlling interests	-	-	-	-	-	-	-	-	-	(6)	(6)
Credit arising on share-based payment awards	-	-	-	-	-	-	-	19	19	-	19
Balance at 31 December 2017	139	17	1,378	(1,182)	1	(17)	(10)	1,494	1,820	13	1,833

~~~~~~

Condensed Consolidated Cash Flow Statement

for the six months ended 30 June 2018

	Notes	**Six months ended 30 June 2018 (unaudited) £m**	Six months ended 30 June 2017 (unaudited) £m	Year ended 31 December 2017 £m
Net cash flows from operating activities	14	**(1)**	8	87
Investing activities				
Sale/(purchase) of financial investments		**5**	15	(54)
Sale of equity investments at FVOCI		**7**	-	-
Sale of available-for-sale investments		**-**	4	4
Interest received		**1**	2	3
Dividends from associates and joint ventures		**5**	8	13
Expenditure on intangible fixed assets		**(15)**	(12)	(26)
Purchase of property, plant and equipment		**(33)**	(4)	(15)
Deferred consideration paid		**-**	(3)	(4)
~~~~~~

Investment in associates		**(1)**	-	(1)
Acquisition consideration paid		**(5)**	-	(5)
Cash acquired with acquisitions		**-**	-	1
Net cash flows from investment activities		**(36)**	10	(84)
Financing activities				
Dividends paid	12	**(63)**	(27)	(58)
Dividends paid to non-controlling interests		**(1)**	(1)	(1)
Equity repayment to non-controlling interests		**-**	-	(6)
Share issue costs		**-**	(7)	(7)
Own shares acquired for employee trusts		**(5)**	(4)	(4)
Drawdown of revolving credit facility		**87**	-	-
Funds received from issue of Sterling Notes		**-**	500	500
Repayment of bank debt		**-**	(470)	(470)
Debt issue and bank facility arrangement costs		**-**	(3)	(3)
Net cash flows from financing activities		**18**	(12)	(49)
Net (decrease)/increase in cash and cash equivalents		**(19)**	6	(46)
Cash and cash equivalents at the beginning of the period		**622**	696	696
Adjustment on initial application of IFRS 9 (Note 2(d))		**(2)**	-	-
Effect of foreign exchange rate changes		**7**	(14)	(28)
Net cash and cash equivalents at the end of the period	15	**608**	688	622
Cash and cash equivalents		**662**	695	622
Overdrafts		**(54)**	(7)	-
Net cash and cash equivalents at the end of the period		**608**	688	622

~~~~~~

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2018

1. General information

The condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with the Disclosure and Transparency Rules ('DTR') of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union ('EU'). This condensed financial information should be read in conjunction with the statutory Group Financial Statements for the year ended 31 December 2017 which were prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the EU.

The statutory Group Financial Statements for the year ended 31 December 2017 have been reported on by the Company's auditors, Deloitte LLP, and have been delivered to the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The condensed consolidated financial information for the six months ended 30 June 2018 has been prepared using accounting policies consistent with IFRS. The interim information, together with the comparative information contained in this report for the year ended 31 December 2017, does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The financial information is unaudited but has been reviewed by the Company's auditor, Deloitte LLP, and their report appears at the end of the Interim Management Report.

2. Basis of preparation

(a) Basis of accounting

The Condensed Consolidated 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 Condensed Consolidated Financial Statements.

The Condensed Consolidated Financial Statements are rounded to the nearest million pounds (expressed as £m), except where otherwise indicated.

(b) Basis of consolidation

The Group's Condensed Consolidated Financial Statements incorporate the financial information of the Company and entities controlled by the Company made up to each reporting period. 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 Condensed 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 11) 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 Condensed 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 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 Condensed Consolidated Income Statement.

(d) Accounting policies

Except as described below, the accounting policies applied in these Condensed Consolidated Financial Statements are the same as those applied in the Group's Consolidated Financial Statements as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Group's Consolidated Financial Statements for the year ending 31 December 2018.

<u>IFRS 9 'Financial Instruments'</u>

The Group has applied IFRS 9 from 1 January 2018 which has replaced IAS 39 'Financial Instruments: Recognition and Measurement'. Under the transition methods chosen, comparative information has not been restated. The Group had no hedging relationships as at this date or during the current reporting period. The details of new significant accounting policies are set out below.

Classification and measurement

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income ('FVOCI') and (iii) fair value through profit or loss ('FVTPL'). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income ('OCI'). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit

	or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

There has been no impact on the classification and measurement of the Group's financial assets, except for equity assets that were classified as available-for-sale under IAS 39 which, at the date of initial application of IFRS 9, the Group elected to apply the FVOCI option.

There has been no change in the accounting for financial liabilities as IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Under IFRS 9, changes in the fair value of a financial liability designated as at FVTPL due to credit risk are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' ('ECL') model. The new impairment model applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, settlement balances, deposits paid for securities borrowed, and cash and cash equivalents.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from expected default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all expected default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and cash and cash equivalents for which credit risk has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables, settlement balances and deposits paid for securities borrowed at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be Baa3 or higher per Moody's or BBB- or higher per both Standard & Poor's and Fitch.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls, representing the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade and other receivables, including settlement balances and deposits paid for securities borrowed, are presented separately in the statement of profit or loss and OCI. As a result, the Group reclassified impairment losses amounting to £2m, recognised under IAS 39, from 'administrative expenses' to 'impairment loss on trade and other receivables,' in the statement of profit or loss for the year ended 31 December 2017 (six months ended 30 June 2017: £nil).

Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Impact of the new impairment model

The application of the impairment requirements of IFRS 9 will not have a material impact on the Group's consolidated financial statements.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in an additional impairment allowance as follows.

	£m
Loss allowance at 31 December 2017 under IAS 39	**6**
Additional impairment recognised at 1 January 2018 on	
- Trade and other receivables as at 31 December 2017	1
- Cash and cash equivalents, term deposits and restricted funds	2
Loss allowance at 1 January 2018 under IFRS 9	**9**

Hedge accounting

The Group did not undertake any qualifying hedging activities during the reporting period and will apply IFRS 9's hedge accounting requirements as and when such transactions arise.

IFRS 15 'Revenue from Contracts with Customers'.

IFRS 15 establishes a single comprehensive model for determining whether, how much and when revenue arising from contracts with customers is recognised. It replaced IAS 18 'Revenue' and related Interpretations.

The Group has adopted IFRS 15 with effect from 1 January 2018 and has adopted the modified retrospective approach without restatement of comparatives. Accordingly the information presented for 2017 has not been restated and is presented, as previously reported, under IAS 18.

The core principle of IFRS 15 is that revenue should be recognised depicting the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the Standard introduces a five step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, revenue is recognised as and when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer. Determining the timing of the transfer of control, at a point in time or over time, requires judgement.

The application of IFRS 15 has not significantly changed the amount or timing of the revenue recognised by the Group. Name Passing and Executing Brokerage continues to be recognised at trade date. Revenue from the provision of Data & Analytics continues to be recognised over the duration of the contract for the provision of those services.

Other New Standards and Interpretations

The following new Standards and Interpretations are effective from 1 January 2018 but they do not have a material effect in the Group's financial statements:

- Amendments to IFRS 2 'Share-based payment transactions' regarding the classification and measurement of share-based payment transactions;
- IFRIC Interpretation 22 relating to foreign currency transactions and advance consideration; and
- Annual Improvements to IFRSs (2014-2016 Cycle, relating to improvements effective from 1 January 2018).

(e) Restatement of comparative information

Due to the size and complexity of the acquisition of ICAP the initial acquisition accounting was provisional at 30 June 2017 whilst the Group reviewed the assets and liabilities acquired and their associated fair values. As permitted by IFRS 3 'Business Combinations', this review was completed during the 12 month 'measurement period' that ended on 30 December 2017. The financial position as at 30 June 2017 has been restated to reflect the finalisation of this review together with the allocation of Goodwill to the relevant Cash Generating Units, ('CGU's') as permitted by IAS 36 'Impairment of assets'. Details of the finalisation of the acquisition of ICAP are set out in Note 30(a) to the 2017 statutory Group Financial Statements.

3. Related party transactions

Related party transactions are described in Note 36 to the 2017 statutory Group Financial Statements. There have been no material changes in the nature or value of related party transactions in the six months ended 30 June 2018.

4. Principal risks and uncertainties

Robust risk management is fundamental to the achievement of the Group's objectives. The Group identifies the risks to which it is exposed as a result of its business objectives, strategy and operating model, and categorises those risks into five 'risk impacts': Capital, Liquidity, Reputation, Regulatory standing and Access to capital markets. The risks identified within each of these categories, along with an explanation of how the Group seeks to manage or mitigate these risk exposures can be found on pages 38 to 41 of the latest Annual Report which is available at www.tpicap.com. The Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 December 2017. Risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year are discussed in the Interim Management Report.

5. 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:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Revenue			
EMEA	**465**	462	877
Americas	**322**	333	628
Asia Pacific	**123**	130	252
	910	925	1,757
Operating profit			
EMEA	**97**	92	170
Americas	**45**	39	64
Asia Pacific	**13**	13	29
Underlying operating profit	**155**	144	263
Acquisition, disposal and integration costs (Note 7)	**(101)**	(53)	(127)
Exceptional items (Note 7)	**(4)**	(5)	(34)
Reported operating profit	**50**	86	102
Finance income	**2**	3	6
Finance costs	**(18)**	(18)	(36)
Profit before tax	**34**	71	72
Taxation	**(25)**	(19)	3
Profit of consolidated companies	**9**	52	75
Share of results of associates and joint ventures	**6**	6	12
Profit for the period	**15**	58	87

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

Revenue by Business Division	**Six months ended 30 June 2018 £m**	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
- Rates	**284**	279	528
- Credit	**56**	65	117
- FX & Money Markets	**110**	111	218
- Emerging Markets	**113**	120	225
- Equities	**109**	95	182
Global Broking	**672**	670	1,270
Energy & Commodities	**167**	182	343
Institutional Services	**17**	16	32
Data & Analytics	**54**	57	112
	910	925	1,757

Other segmental information

Segment assets	**30 June 2018 £m**	30 June 2017 (restated)[1] £m	31 December 2017 £m
EMEA - UK	**14,625**	25,933	6,006
EMEA - Other	**732**	816	191
Americas	**31,511**	19,602	30,805
Asia Pacific	**354**	364	350
	47,222	46,715	37,352
Unallocated goodwill arising on acquisitions	**21**	-	21
	47,243	46,715	37,373
Segment liabilities			
EMEA - UK	**13,538**	24,807	4,936

EMEA - Other	**721**	805	176
Americas	**31,024**	19,072	30,278
Asia Pacific	**156**	154	150
	45,439	44,838	35,540

1 *Restated to reflect the finalisation of the acquisition of ICAP (Note 2(e)).*

Segmental assets and liabilities exclude all inter-segment balances.

The Group continues to review the assets and liabilities it acquired with Coex Partners Limited and its subsidiaries ('COEX') together with their associated fair values. As permitted by IFRS 3 'Business Combinations', this review will be completed during the 12 month 'measurement period' ending on 30 November 2018. Goodwill will be allocated to relevant Cash Generating Units on completion of the measurement period review, and within the time limit permitted by IAS 36 'Impairment of assets'. Details of the acquisition of COEX is set out in Note 30(b) to the 2017 statutory Group Financial Statements.

6. Administrative expenses

Administrative expenses comprise:

Six months ended 30 June 2018 (unaudited)	**Underlying**	**Acquisition, disposal and integration costs**	**Exceptional items**	**Total**
	£m	**£m**	**£m**	**£m**
Broker compensation costs	**440**	**-**	**-**	**440**
Other staff costs	**118**	**12**	**-**	**130**
Other share-based compensation expense/(credit)	**2**	**(1)**	**-**	**1**
Employment costs	**560**	**11**	**-**	**571**
Technology and related costs	**73**	**-**	**-**	**73**
Premises and related costs	**27**	**1**	**-**	**28**
Amortisation of other intangible assets	**12**	**-**	**-**	**12**
Depreciation of property, plant and equipment	**5**	**-**	**-**	**5**
Amortisation of intangible assets arising on consolidation	**-**	**20**	**-**	**20**
Impairment of intangible assets arising on consolidation	**-**	**58**	**-**	**58**
Adjustments to acquisition consideration	**-**	**(1)**	**-**	**(1)**
Other administrative costs	**81**	**12**	**4**	**97**
	758	**101**	**4**	**863**

Six months ended 30 June 2017 (unaudited)				
Broker compensation costs	437	-	5	442
Other staff costs	129	16	-	145
Acquisition related share-based payment charge	-	5	-	5
Other share-based compensation expense	2	-	-	2
Employment costs	568	21	5	594
Technology and related costs	76	-	-	76
Premises and related costs	26	1	-	27
Amortisation of other intangible assets	12	-	-	12
Depreciation of property, plant and equipment	6	-	-	6
Amortisation of intangible assets arising on consolidation	-	20	-	20
Other administrative costs	99	11	-	110
	787	53	5	845

Year ended 31 December 2017	Underlying	Acquisition, disposal and integration costs	Exceptional items	Total
	£m	£m	£m	£m
Broker compensation costs	828	-	32	860
Other staff costs	237	35	-	272
Acquisition related share-based payment charge	-	9	-	9
Other share-based compensation expense	5	5	-	10
Charge relating to employee long-term benefits	-	-	2	2
Employment costs	1,070	49	34	1,153
Technology and related costs	149	1	-	150
Premises and related costs	49	2	-	51
Amortisation of other intangible assets	25	4	-	29
Depreciation of property, plant and equipment	12	-	-	12
Amortisation of intangible assets arising on consolidation	-	40	-	40

Adjustments to acquisition consideration	-	(1)	-	(1)
Acquisition costs	-	1	-	1
Other administrative costs	204	32	-	236
	1,509	128	34	1,671

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

Acquisition, disposal and integration costs comprise:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
ICAP integration costs			
- Employee related costs	**12**	16	35
- Share-based payment (credit)/charge	**(1)**	-	5
- Premises and technology costs	**1**	1	3
- Amortisation of other intangible assets	**-**	-	4
- Other administrative costs	**12**	11	32
	24	28	79
Acquisition and disposal costs			
- Acquisition costs	**-**	-	1
- Acquisition related share-based payment charge	**-**	5	9
- Amortisation of intangible assets arising on consolidation	**20**	20	40
- Impairment of intangible assets arising on consolidation	**58**	-	-
- Adjustments to acquisition consideration	**(1)**	-	(1)
	101	53	128
Other income	**-**	-	(1)
	101	53	127
Taxation	**(11)**	(13)	(54)
	90	40	73

Exceptional items comprise:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Charge relating to cost improvement programmes	**-**	5	32
Charge relating to employee long-term benefits	**-**	-	2
Net charge relating to legal settlements (Note 16)	**4**	-	-
	4	5	34
Taxation	**-**	(1)	(10)
	4	4	24

8. Other operating income

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

9. Finance income

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Interest receivable and similar income	**1**	2	3
Deemed interest arising on the defined benefit pension scheme surplus	**1**	1	3
	2	3	6

10. Finance costs

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Interest and fees payable on bank facilities	**1**	1	4

Interest payable on Sterling Notes June 2019	**2**	2	4
Interest payable on Sterling Notes January 2024	**13**	11	24
Other interest payable	**1**	1	1
Amortisation of debt issue and bank facility costs	**1**	3	3
Total borrowing costs	**18**	18	36

11. Earnings per share

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
Basic - underlying	**19.2p**	18.3p	33.3p
Diluted - underlying	**19.1p**	18.0p	32.7p
Basic earnings per share	**2.3p**	10.3p	15.8p
Diluted earnings per share	**2.3p**	10.1p	15.5p

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

	Six months ended 30 June 2018 No. (m)	Six months ended 30 June 2017 No. (m)	Year ended 31 December 2017 No. (m)
Basic weighted average shares	**556.3**	552.4	551.8
Contingently issuable shares	**4.4**	9.9	10.9
Diluted weighted average shares	**560.7**	562.3	562.7

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

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Earnings for the period	**15**	58	87
Non-controlling interests	**(2)**	(1)	-
Earnings	**13**	57	87
Acquisition, disposal and integration costs (Note 7)	**101**	53	127
Exceptional items (Note 7)	**4**	5	34
Taxation	**(11)**	(14)	(64)
Underlying earnings	**107**	101	184

12. Dividends

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2017 of 11.25p per share	**63**	-	-
Second interim dividend for the year ended 31 December 2016 of 11.25p per share	**-**	27	27
Interim dividend for the year ended 31 December 2017 of 5.6p per share	**-**	-	31
	63	27	58

An interim dividend of 5.6p per share will be paid on 9 November 2018 to all shareholders on the Register of Members on 5 October 2018.

As at 30 June 2018 the Tullett Prebon plc Employee Benefit Trust 2007 held 2,609,004 ordinary shares (31 December 2017 and 30 June 2017: 2,668,144 ordinary shares) and has waived its rights to dividends.

13. Intangible assets arising on consolidation

	Goodwill £m	**Other £m**	**Total £m**
As at 1 January 2018	**1,052**	**590**	**1,642**
Recognised on acquisition	**8**	**1**	**9**
Amortisation of acquisition related intangibles	**-**	**(20)**	**(20)**
Impairment of acquisition related intangibles	**(58)**	**-**	**(58)**
Effect of movements in exchange rates	**5**	**3**	**8**
As at 30 June 2018	**1,007**	**574**	**1,581**

Other intangible assets at 30 June 2018 represent customer relationships of £550m (31 December 2017: £561m), business brands and trademarks of £18m (31 December 2017: £21m), and other intangibles of £6m (31 December 2017: £8m) that arise through business combinations. Customer relationships are being amortised over 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:

	30 June 2018
	£m
CGU	
EMEA	**644**
Americas	**241**
Asia Pacific	**101**
Goodwill allocated to CGUs	**986**
Unallocated goodwill	**21**
	1,007

As at 30 June 2018 the provisional amount of goodwill arising on the acquisition of COEX (the details of which are set out in Note 30(b) to the 2017 statutory Group Financial Statements) has not been allocated to a group of CGUs. As permitted by IAS 36 'Impairment of assets', allocation to relevant CGUs will be completed before the end of 2018.

During the period the Group has undertaken an impairment assessment of its CGUs to which goodwill has been allocated. 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.

As at 30 June 2018 the recoverable amount for each CGU has been based on their VIU. 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. Growth rates on underlying revenue, equating to a 1% compound annual growth rate over the five year projected period, have been used for all CGUs, with pre-tax discount rates of 13.4% for EMEA, 16.7% for Americas and 14.8% for Asia Pacific. The calculations have been subject to stress tests reflecting reasonably possible changes in key assumptions.

As at 31 December 2017 the recoverable amounts for each CGU was based on their FVLCD, using the Income Approach, as the difference between each CGU's recoverable amount and their carrying value was greater on this basis than that under the CGU's VIU calculation. The key assumptions for the FVLCD calculations were those regarding expected post-tax cash flows arising in future periods, regional growth rates and the post-tax discount rates. Under this valuation approach each CGU had a FVLCD in excess of its carrying value. The valuation assumptions used as at 31 December 2017 are set out in Note 13 to the 2017 statutory Group Financial Statements.

As a result of the VIU valuation at June 2018, the recoverable amount for the Americas CGU was estimated to be lower than its carrying value by £58m and has been impaired by this amount. Both the Americas and Asia Pacific CGUs are sensitive to reasonably possible changes in the VIU assumptions. Under this approach the recoverable amount for Asia Pacific exceeded its carrying value by £36m, which reduces to £nil if, over the projected period, compound annual growth rates fall to zero. Further impairment of the Americas CGU would be required if there are changes in the applicable assumptions. A reduction in the compound growth rate over the period by 0.5% would increase the impairment charge by £24m and a 1% increase in the discount rate would increase the charge by £27m. The impact on future cash flows resulting from falling growth rates does not reflect any management actions that would be taken under such circumstances.

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

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£m	£m	£m
Operating profit	**50**	86	102
Adjustments for:			
- Share-based compensation expense	**1**	2	10
- Pension scheme's administration costs	**-**	-	1
- Depreciation of property, plant and equipment	**5**	6	12
- Amortisation of intangible assets	**12**	12	29
- Acquisition related share-based payment charge	**-**	5	9
- Amortisation of intangible assets arising on consolidation	**20**	20	40
- Impairment of intangible assets arising on consolidation	**58**	-	-
- Loss on derecognition of intangible assets	**-**	2	1
- Remeasurement of deferred consideration	**(1)**	-	(1)
- Gain on disposal of available-for-sale investments	**-**	(1)	(1)
- Non-cash movement in FVTPL balances	**-**	(1)	(1)
(Decrease)/increase in provisions for liabilities and charges	**(13)**	(5)	18
Increase in non-current liabilities	**14**	2	11

Operating cash flows before movement in working capital	**146**	128	230
Increase in trade and other receivables	**(69)**	(33)	(48)
Increase in net settlement and trading balances	**(46)**	(27)	(6)
Decrease in trade and other payables	**(2)**	(37)	(40)
Cash generated from operations	**29**	31	136
Income taxes paid	**(14)**	(17)	(27)
Interest paid	**(16)**	(6)	(22)
Net cash from operating activities	**(1)**	8	87

15. Analysis of net funds

	1 January 2018 £m	Cash flow £m	Non-cash items £m	Exchange differences £m	30 June 2018 £m
Cash	**609**	**33**	**(2)**	**7**	**647**
Cash equivalents	**13**	**2**	**-**	**-**	**15**
Overdrafts	**-**	**(54)**	**-**	**-**	**(54)**
Cash and cash equivalents	**622**	**(19)**	**(2)**	**7**	**608**
Financial investments	**139**	**(5)**	**-**	**(3)**	**131**
Total funds	**761**	**(24)**	**(2)**	**4**	**739**
Bank loan due within one year	**-**	**(87)**	**-**	**-**	**(87)**
Sterling Notes June 2019	**(80)**	**2**	**(2)**	**-**	**(80)**
Sterling Notes January 2024	**(509)**	**13**	**(13)**	**-**	**(509)**
	(589)	**(72)**	**(15)**	**-**	**(676)**
Total net funds	**172**	**(96)**	**(17)**	**4**	**63**

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

Financial investments comprise government debt securities, term deposits and restricted funds held with banks and clearing organisations which may be realised to meet liquidity requirements arising in the normal course of business.

During the six months to 30 June 2018 the Group drew £87m of its £250m committed revolving credit facility. The facility matures in April 2020. Interest of 3.5% is payable on the drawn balance with facility fees of 1% payable on the undrawn balance.

Non-cash items represent accrued interest, the amortisation of debt issue costs and IFRS 9 expected credit losses.

16. Provisions

	Property £m	Re-structuring £m	Legal and other £m	Total £m
At 1 January 2018	**5**	**27**	**29**	**61**
Charge to income statement	**-**	**4**	**5**	**9**
Utilisation of provisions	**-**	**(22)**	**-**	**(22)**
Effect of movements in exchange rates	**-**	**-**	**-**	**-**
At 30 June 2018	**5**	**9**	**34**	**48**

Property provisions outstanding as at 30 June 2018 relate to provisions in respect of onerous leases and building dilapidations. The onerous lease provision represents the net present value of the future rental cost net of expected sub-lease income. These leases expire in one to eight years (2017: one to nine years). The building dilapidations provision represents the estimated cost of making good dilapidations and disrepair on various leasehold buildings. The leases expire in one to four years.

Restructuring provisions outstanding as at 30 June 2018 relate to termination and other employee related costs. The decrease during the period reflects the utilisation of the provisions established as a result of the Group's cost improvement programme and the integration of ICAP. It is expected that these obligations will continued to be discharged during 2018.

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.

In February 2015 the European Commission imposed a fine of £13m (€15m) on ICAP Europe Limited ('IEL') for alleged competition violations in relation to the involvement of certain of IEL'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 Company's acquisition of ICAP, the Company notes 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 IEL served its reply during April 2018. Written submissions for the appeal process have now closed. A decision from the Courts of Justice of the European Union is unlikely to be received until the second quarter of 2019. During the period the amount provided has been reduced from £13m (€15m) to £9m (€10m) reflecting the Group's current estimate of the liability.

In June 2018, the Company 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. Based upon currently available information, the Company believes that the outcome of the investigation will not, in aggregate, have a material adverse effect on the Company's financial condition. In light of the inherent uncertainties of such proceedings, however, including those that may be brought by regulators or other governmental authorities, the ultimate cost to the Group of resolving such proceedings may exceed current litigation provisions and any excess may be material to its operating results for any particular period depending, in part upon the operating results for such period.

17. Contingent liabilities

FCA investigation

Tullett Prebon Europe Limited ('TPEL') is currently under investigation by the FCA in relation to certain trades undertaken between 2008 and 2011, including trades which are risk free, which are alleged to have no commercial rationale or economic purpose, on which brokerage is paid, and trades on which brokerage may have been improperly charged. As part of its investigation, the FCA is considering the extent to which during the relevant period (i) TPEL's systems and controls were adequate to manage the risks associated with such trades and (ii) whether certain of TPEL's managers were aware of, and/or managed appropriately the risks associated with, the trades. The FCA is also reviewing the circumstances surrounding a failure in 2011 by TPEL to discover certain audio files and produce them to the FCA in a timely manner. As the investigation is ongoing, it is not possible to predict its ultimate outcome and accordingly any potential liability and/or financial impact cannot currently be reliably estimated. In connection with the investigation, the Group has commenced its own review of the Group's previous systems and controls around gifts and hospitality.

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 the Company, 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. Each of the defendants named above intend to defend the litigation vigorously. 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 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 57m (£11m). The Group is covered by 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.

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 196m (£39m). 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 and it is stayed pending discussion before the Superior Court of Justice regarding the production of evidence. Therefore, the case is not anticipated to be resolved in 2018.

ISDA Fix

The CFTC and other government agencies have requested information from the NEX Group in relation to the setting of the US dollar segment of a benchmark known as ISDA Fix. ICAP plc's successor firm, NEX, continues to co-operate with the agencies' inquiries into the setting of that rate. ICAP Capital Markets LLC ('ICM') was the collection agent for ISDA Fix panel bank submissions in US dollars, but was not a panel member itself. It is not possible to predict the ultimate outcome of the CFTC investigation or to provide an estimate of any potential financial impact. In September and October 2014, five class actions were filed alleging injury due to purported manipulation of the USD ISDA Fix rate. ICM is a defendant in those actions, which have now been consolidated into a single action, along with several ISDA Fix panel banks. Pursuant to the terms of the sale and purchase agreement between the Company and NEX it was agreed that ICM would transfer its activities and business to the Company but that ICM would not be transferred to the Company's ownership at completion. It was further agreed that in the event of any claims or losses arising in relation to ISDA Fix, these would be for the account of NEX. It is not possible to predict the ultimate outcome of the litigation or the CFTC's enquiries or to provide an estimate of any potential financial impact. The Company and its Group may nevertheless suffer financial loss either directly or as a consequence of damage to its reputation as a result of these matters.

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. 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.

(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. The Companies intend to contest liability in the matter and to vigorously defend themselves. A briefing schedule has been agreed in connection with a motion to dismiss that the Companies intend to make on both jurisdictional and substantive grounds. It is not possible to predict the ultimate outcome of this action or to provide an estimate of any potential financial impact.

General note

From time to time the Company's subsidiaries are engaged in litigation in relation to a variety of matters, and it is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews. The Company'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.

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

The Group operates in a wide variety of jurisdictions around the world and uncertainties therefore exist with respect to the interpretation of complex tax laws and practices of those territories. 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.

18. Allocation of other comprehensive income within Equity

	Equity attributable to equity holders of the parent						
	Re-valuation reserve	Hedging and translation	Own shares	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2018 (unaudited)							
Equity investments at FVOCI - net change in fair value	**6**	**-**	**-**	**-**	**6**	**-**	**6**
Effect of changes in exchange rates on translation of foreign operations	**-**	**14**	**-**	**-**	**14**	**1**	**15**
Remeasurement of the defined benefit pension scheme	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**(2)**
Taxation on components of other comprehensive income	**-**	**1**	**-**	**1**	**2**	**-**	**2**
Other comprehensive income/(loss) for the period	**6**	**15**	**-**	**(1)**	**20**	**1**	**21**
Six months ended 30 June 2017 (unaudited) (restated)[1]							
Available-for-sale investments (Pre IFRS 9)							
- net change in fair value	-	-	-	-	-	-	-
- reclassified to profit or loss	(1)	-	-	-	(1)	-	(1)
Effect of changes in exchange rates on translation of foreign operations	-	(45)	-	-	(45)	-	(45)
Remeasurement of the defined benefit pension scheme	-	-	-	(43)	(43)	-	(43)
Taxation on components of other comprehensive income	-	(1)	-	15	14	-	14
Other comprehensive loss for the period	(1)	(46)	-	(28)	(75)	-	(75)
Year ended 31 December 2017							
Available-for-sale investments (Pre IFRS 9)							
- net change in fair value	(1)	-	-	-	(1)	-	(1)
- reclassified to profit or loss	-	-	-	-	-	-	-
Effect of changes in exchange rates on translation of foreign operations	-	(92)	-	-	(92)	(1)	(93)
Remeasurement of the defined benefit pension scheme	-	-	-	(45)	(45)	-	(45)
Taxation on components of other comprehensive income	-	-	-	16	16	-	16
Other comprehensive loss for the year	(1)	(92)	-	(29)	(122)	(1)	(123)

1 Restated to reflect the finalisation of the acquisition of ICAP (Note 2(e)).

19. Financial instruments

(a) Categorisation of financial assets and liabilities (IFRS 9)

Amortised	Mandatorily	FVOCI - debt	FVOCI -	Total carrying

Financial Assets	cost	at FVTPL	instruments	equity instruments	amount
30 June 2018 (unaudited)	**£m**	**£m**	**£m**	**£m**	**£m**
Non-current financial assets measured at fair value					
Equity securities	**-**	**-**	**-**	**15**	**15**
Corporate debt securities	**-**	**-**	**2**	**-**	**2**
	-	**-**	**2**	**15**	**17**
Current financial assets measured at fair value					
Derivative instruments	**-**	**5**	**-**	**-**	**5**
Government debt securities	**-**	**-**	**83**	**-**	**83**
Current financial assets Not measured at fair value					
Term deposits	**35**	**-**	**-**	**-**	**35**
Restricted funds	**13**	**-**	**-**	**-**	**13**
Trade receivables	**303**	**-**	**-**	**-**	**303**
Settlement balances receivable	**43,383**	**-**	**-**	**-**	**43,383**
Deposits paid for securities borrowed	**788**	**-**	**-**	**-**	**788**
Cash and cash equivalents	**608**	**-**	**-**	**-**	**608**
	45,130	**5**	**83**	**-**	**45,218**
Total financial assets	**45,130**	**5**	**85**	**15**	**45,235**

Financial Liabilities	Mandatorily at FVTPL		Other financial liabilities		Total carrying amount
	Non-current	**Current**	**Non-current**	**Current**	
30 June 2018 (unaudited)	**£m**	**£m**	**£m**	**£m**	**£m**
Financial liabilities measured at fair value					
Deferred consideration	**15**	**12**	**-**	**-**	**27**
Derivative instruments	**-**	**5**	**-**	**-**	**5**
	15	**17**	**-**	**-**	**32**
Financial liabilities Not measured at fair value					
Bank loan	**-**	**-**	**-**	**87**	**87**
Sterling Notes June 2019	**-**	**-**	**-**	**80**	**80**
Sterling Notes January 2024	**-**	**-**	**497**	**12**	**509**
Trade payables	**-**	**-**	**-**	**29**	**29**
Settlement balances payable	**-**	**-**	**-**	**43,317**	**43,317**
Deposits received for securities loaned	**-**	**-**	**-**	**795**	**795**
	-	**-**	**497**	**44,320**	**44,817**
Total financial liabilities	**15**	**17**	**497**	**44,320**	**44,849**

(b) **Fair value measurements recognised in the statement of financial position**

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2018 (unaudited)	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets measured at fair value				
Equity securities	**2**	**7**	**6**	**15**
Corporate debt securities	**-**	**-**	**2**	**2**
Derivative instruments	**-**	**5**	**-**	**5**
Government debt securities	**83**	**-**	**-**	**83**
Financial liabilities measured at fair value				
Deferred consideration	**-**	**-**	**(27)**	**(27)**
Derivative instruments	**-**	**(5)**	**-**	**(5)**
	85	**7**	**(19)**	**73**

There were no transfers between Level 1 and 2 during the period.

Reconciliation of Level 3 fair value movements:

	Equity securities (at FVOCI)	Debt securities (at FVOCI)	Deferred consideration(at FVTPL)	Total
	£m	£m	£m	£m
Balance as at 1 January 2018	**7**	**2**	**-**	**9**
Adjustment on initial application of IFRS 9 relating to the classification of deferred consideration	**-**	**-**	**(31)**	**(31)**
Adjusted balance as at 1 January 2018	**7**	**2**	**(31)**	**(22)**
Net change in fair value - included in 'administrative expenses'	**-**	**-**	**1**	**1**
Acquisitions during the period	**-**	**-**	**(3)**	**(3)**
Amounts settled during the period	**-**	**-**	**6**	**6**
Effect of movements in exchange rates	**(1)**	**-**	**-**	**(1)**
Balance as at 30 June 2018	**6**	**2**	**(27)**	**(19)**

~~~~~~

Directors' Responsibility Statement

The Directors confirm, to the best of their knowledge, that the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union, and that the Interim Management Report herein includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

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

By order of the Board

Robin Stewart
Chief Financial Officer

7 August 2018

~~~~~~

Independent Review Report to TP ICAP plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half year report for the six months ended 30 June 2018 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement and related Notes 1 to 19. We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half year report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, UK
7 August 2018

END

IR UNRORWVAWRUR