Final Results

Released : 19.03.19 07:00

RNS Number : 2286T
TP ICAP PLC
19 March 2019

TP ICAP PLC

Financial and Preliminary Management Report for the year ended 31 December 2018

TP ICAP plc (the "Company") reports good operational progress and results in line with expectations for the year ended 31 December 2018.

Financial highlights

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

- Revenue of £1,763m (2017: £1,757m)
- Operating profit £276m (2017: £263m)
- Operating margin 15.7% (2017: 15.0%)
- Profit before tax £245m (2017: £233m)
- Basic EPS 34.2p (2017: 33.3p)

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

- Operating profit £93m (2017: £102m)
- Operating margin 5.3% (2017: 5.8%)
- Profit before tax £62m (2017: £72m)
- Basic EPS 5.7p (2017: 15.8p)

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 558.5m.

Operational performance

- A resilient performance in a mixed market environment
- Global Broking revenue increased 3% at constant exchange rates, driven by Rates and Equities
- Strong growth in Institutional Services and Data & Analytics businesses which have grown by 16% and 8% respectively at constant exchange rates
- Energy & Commodities experienced a 1% decline in revenues at constant exchange rates due to challenging market conditions
- Total contribution increased by 4% to £679m (2017: £655m) at constant exchange rates
- Integration programme on track with synergy savings achieved to date of £71m per annum

Strategic highlights

- Focus on enhancing our competitive position
- Increased investment allocated to our Data & Analytics business
- A renewed and strengthened senior management team
- New strategic pillars founded on Technology, Operational Excellence, People and Diversification

Dividend

The Board declared an interim dividend of 5.6 pence per share paid on 9 November 2018 and is recommending a final dividend of 11.25 pence per share to be paid on 21 May 2019 (with a record date of 5 April 2019).

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Commenting on the results, Nicolas Breteau, Chief Executive Officer of TP ICAP plc, said:
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"Since I took over as Chief Executive Officer, a key priority has been successfully completing the Tullett Prebon and ICAP Global Broking business integration to secure the enlarged platform from which to grow our business. This combination enables the deepest and broadest pools of liquidity in the OTC market, which is a source of real value to our clients and our business. Whilst there is more work to do, real progress has been made with the integration in the past year. When this is complete, I am confident we will be in a position to enhance that value as we aggregate liquidity and the data it provides across all our brands and regions. At the same time, the business has delivered resilient results, with growth in revenues at constant exchange rates and underlying operating profits in line with expectations.

We have continued to diversify our products and services to meet our clients' evolving needs, and I expect the pace of this will accelerate as a result of our increased technology investment. We have strengthened our senior management team to ensure we have the right leadership and information flows for a global business serving clients from four divisions across three regions.

The political and economic environment continues to present us with both opportunities and challenges. However, I am confident that with a renewed strategy, founded on our strategic pillars, and renewed sense of purpose we are in a good position to navigate these successfully, and make the most of the many opportunities we have to grow."

Forward looking statements

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

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CEO review

I have worked in the Group since 2015, most recently as Head of the Global Broking division, and before that, in a number of organisations that are clients of the Group. As I have got to know the organisation better, I have seen energy and commitment from our global workforce, which will help us achieve our strategic goals. Despite the challenges we have faced, my belief in TP ICAP's potential has never wavered.

Financial performance

The Group delivered a resilient performance in 2018. This is borne out in the results, which show growth in revenues (at constant exchange rates), underlying operating profit and underlying operating profit margin.

Revenues grew by 3% on a constant exchange rate basis to £1,763m (and were in line on a statutory basis). We achieved an underlying operating profit of £276m, an increase of 5% over £263m in 2017. Our underlying operating profit margin of 15.7% was 0.7 percentage points higher than in 2017. Statutory profit after tax of £23m is lower than the £75m reported in 2017. Statutory profit after tax in 2018 includes a £65m impairment of goodwill.

Regional performance

Performance across our regions was mixed with the Americas and EMEA seeing revenue growth on a constant exchange rate basis as they benefited from an improvement in market conditions. Asia Pacific saw revenues decline due to challenging market conditions in the Energy & Commodities business as well as a reduction in broker headcount.

Our business divisions

Global Broking

Global Broking is our largest division, with revenues of £1,278m in 2018 (2017: £1,244m at constant exchange rates). One of the division's fundamental strengths is its long-established relationships with investment banks. Although many of the division's business sub-segments are mature, the pace of change in client behaviour and preferences has never been greater. This gives us the opportunity to evolve our services in line with client needs, adding new revenue streams and increasing customer loyalty.

Markets have been mixed with certain products (Rates and Equities) benefiting from favourable conditions, while others, such as Credit and FX & Money Markets, have faced more challenging conditions. During 2018 we have invested in both our people and
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technology to provide a platform for growth. In particular we have diversified our services, filling in gaps in our coverage in equity derivatives, delta one and high yield bonds. The growth in Equities during the year (up 18%), particularly in the US, also highlights the benefits of hiring the best people, and the impact that can have on overall broking contribution.

We continue to invest in hybrid technology across both brands and increase the amount of revenues that are significantly dependent on this technology. We have seen growth in a number of products that now use technologies that improve the efficiency of execution for our customers and provide better pricing. This doesn't necessarily mean the reduction in the role of the broker but a change in the way that they operate.

There has been a renewed emphasis on introducing pure electronic solutions, with new volume matching products delivered both in the US and UK. As I will reference later, the aggregation of liquidity is key to enhancing the competitive position of our broking business and we have made progress across a number of product classes including FX, Rates and Credit. This has enabled the Group's multiple business brands to deliver their liquidity to customers via a combined portal that provides single sign-on and connectivity, enabling customers to benefit from the liquidity provided by those brands.

Energy & Commodities

In Energy & Commodities, our second largest division, revenues were £331m in the year down 1% on a constant exchange rate basis compared to prior year.

During 2018 we added two bolt-on acquisitions to this division. In January we acquired SCS Commodities, a broker based in New Jersey in the US. It deals with crude oil futures, soft commodities, petroleum and refined products, natural gas options and crude oil options. In November we acquired Axiom, which specialises in crude oil, refined oil products, ethanol and physical grains. Axiom reinforces our presence in Houston where it is headquartered. This is the primary oil hub in the western hemisphere and the addition of the Axiom team almost doubles our footprint there.

The energy and commodities broking industry is fragmented with many small firms, especially in the US. The US build out is part of our global diversification strategy and we believe we can continue this trend of doing bolt-on acquisitions and become the acquirer of choice. We now have a core competency of adding acquisitions and their incremental revenues to our existing infrastructure and support backbone.

We also diversified our service organically, adding weather derivative broking and extending the activities of PVM from oil into gas and power in the US.

The diversity of products in the sector provides us the potential to continue to expand our offering and revenue sources.

We have prioritised investment in an artificial intelligence application that will equip our brokers with client-specific tailored analysis, with personalised feeds of news, pricing, historical patterns of activity and correlations. The broker then has more colour and insight to inform dialogue with customers. The prototype has been released for testing to a small number of users, with ongoing releases during this year and next. We aim to roll out a production version to a larger population in the second half of this year.

Institutional Services

In our Institutional Services division we achieved revenues of £37m in the year, an increase of 16% over 2017 on a constant exchange rate basis.

The underlying business now has good top-line momentum as well as healthy margins. We have refocused to concentrate initially on products where we can capture immediate business with buyside clients such as listed derivatives, foreign exchange, foreign exchange options, credit and debt solutions. We have put in place an active multi-product sales team to market and sell our service offering across the range of products and execution protocols. There are a large number of potential clients we target including the large hedge funds.

We are now also actively targeting asset managers as clients. To accelerate this, we are progressing with the order management system connectivity that will allow these clients to connect to us directly without a big technological effort at their end. We believe that when this goes live our ability to transact for those clients will open up a significant new fee pool.

Data & Analytics

In our Data & Analytics division we grew revenues by 8% in the year to £117m on a constant exchange rate basis, reflecting accelerated revenue growth in the second half of the year.

We made some significant changes to our Data & Analytics business during 2018 which have resulted in an increased contribution while preserving a static cost base in the underlying business.

These changes include unifying two salesforces that can now market a broader suite of products to each client, and creating a channel management function to optimise our relationship with our current distribution partners as well as target new ones. This gives us better control over the commercial terms on which our content is sold. We also accelerated our client audit programme to ensure we are fully remunerated for the full usage of our data.

We set up a product management team who are developing a pipeline of new products from data sets gathered as a result of closer collaboration with Global Broking. We now have a go-to-market product implementation process and have increased the launch rate of new products. In the second half of 2018, we launched four new Data & Analytics products and to date in 2019 we have introduced a further seven products to our clients.

Data & Analytics continues to exhibit a strong organic growth trajectory coupled with attractive margins and recurring revenues underpinned by customer loyalty.

The integration

During 2018 we carried out a review of the integration programme of our predecessor businesses, Tullett Prebon and ICAP Global Broking and we announced a revised synergy target of £75m in the summer. We achieved run rate savings of £71m in 2018 and expect to deliver the remaining £4m in 2019. By then end of 2018 we had spent £130m on the integration process and we anticipate a total cost of integration of £160m. This is a significant amount of money and not all of it has been spent as effectively as it should have been. However, it is necessary to spend to complete the integration so that we have a scalable platform from which to grow the business.

Completing the integration this year is one of our key priorities and the process is now run by our new Group Chief Operating Officer, Martin Ryan who joined TP ICAP in December 2018 and comes with over 20 years of experience in running operations and technology in both market infrastructure environments and investment banking.

We have made real progress on the integration but we have a lot more work to do this year. Most of this relates to the consolidation of IT networks, applications and data centres that we use to run the business. This will give us an infrastructure that is scalable, allows for future innovation, and that enables us to streamline our post-trade processing to increase efficiency and reduce operational risk.

This programme of work entails decommissioning core IT applications. We started off with 78, of which 32 will be decommissioned. As part of the integration programme we will also be reducing the number of data centres we support. At the date of acquisition, we had 15 data centres and so far we have closed four. We plan to reduce this to six, keeping two in each region. As we do this, we are moving more workload to cloud based infrastructure.

On real estate, we have now co-located all our brokers in New York and Singapore, as well as our energy brokers in London. We are planning to move all our Global Broking and Data & Analytics staff in London to new headquarters at 135 Bishopsgate during 2020. We continue to move certain activities within our corporate functions to our centre in Belfast. We had 130 people in Belfast at the end of 2018 and we expect to have about 300 people by the end of the year with the capacity to add a further 100 in 2020.

While there is still work to be done, we will complete the integration programme by the end of this year although activities to deliver further benefits from the ICAP acquisition will continue into 2020.

New risk framework

We are undertaking a complete review and enhancement of our global risk management framework to take into account the scale and diversity of the business that we now do and to respond to regulatory expectations. This involves developing our risk based management information and reporting processes to provide better linkage between the day-to-day management of risks in the business and the Group's risk appetite, governance and oversight.

As part of the integration programme we will be simplifying our corporate structure and reducing the number of legal entities within the Group. This will enable us to reduce the number of regulated entities and venues that we run which, in turn, improves risk management. This will simplify matters for ourselves, our employees and our clients and make it clearer which counterparties and venues they are interacting with. It will also align our risk governance with the regulator's view of our business.

As a result, in 2018 we spent £1m on our risk framework project and that spending will increase significantly to £5m in 2019. In 2018 we also invested in our in-house internal audit function, which will continue in the current year, further evolving our third line of defence.

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

Brexit

For some months we have been preparing for all Brexit eventualities, including the UK leaving the EU without a deal. In that circumstance, our UK entities would lose their ability to provide services in the EU27 zone using passports, either through branches or on a cross-border services basis and our ability to continue as we have become accustomed would be restricted. Overall around 90% of our broking revenues are largely unaffected by Brexit but it still remains a significant regulatory and operational challenge for the Group.

There are two main activity streams to consider that are dependent on the particular location of a client and the specific asset class.

The first steam of activity is that which we carry out in the EU for clients in the EU. To enable EU to EU business we need to operate via both a legal entity and a venue in the EU. We have set up a new subsidiary in France, TP ICAP (Europe) SA, to consolidate our branches in France, Spain and Germany, and to open a branch in the Netherlands. The Group is seeking authorisation from the French prudential regulator for a subsidiary based in France, with branch offices in other EU sites, to provide services in the EU. The Group is advised that notice of authorisation is expected prior to the withdrawal of the UK from the EU.

We have created a multilateral trading facility (MTF) and two organised trading facilities (OTF) in the EU so that our EU activity can be conducted on MiFID II venues after 29 March 2019, once authorisation of our French subsidiary has been obtained.

We are relocating iSwap, our electronic rates MTF, to the Netherlands.

The second stream of activity is the business we do for EU based clients through our broking desks in the UK. In a no deal Brexit scenario, we may not be able to conduct this activity after 29 March 2019 in the way we have done to date. We have therefore made plans to adjust our business model so that we can continue to service EU clients from the UK. This involves putting extra broking staff into our EU offices to interact with EU-based customers and changing our workflows.

The ultimate distribution of our staff between the UK and EU will depend on our clients' requirements and locations but, for the foreseeable future, we expect the UK to remain a major centre for financial, energy and commodities markets.

We have put in place contingency plans for a no deal Brexit and we are working hard to minimise the impact but it is difficult to gauge the scale of any impact at this stage.

The senior management team

I am privileged to work alongside Robin Stewart, our Chief Financial Officer, who was appointed to the Board with me in July 2018, and Philip Price, our Group General Counsel and Head of Compliance, who was appointed to the Board in September 2018. Since taking on the role as Chief Executive Officer last year, my immediate priority was to establish a strong management team that could drive our business forward.

We needed a leader of the Global Broking business (which I had previously run) and in October I appointed John Abularrage to the role. John has a strong track record of leading a very successful operation for TP ICAP in the Americas having joined Tullett Prebon in 2011 from Collins Stewart.

I have also made a change in the leadership of Institutional Services, our agency broking business focused on the buyside and our newest division. This division had made a very good acquisition, COEX Partners Limited, which is the fastest growing part of the TP ICAP business. John Ruskin, who founded COEX, is now running the whole division. He has more than 25 years of experience in the broking industry and before starting COEX was global head of listed products at Newedge.

Andrew Polydor comes with a strong track record and continues to lead the Energy & Commodities division and has successfully completed a number of acquisitions including PVM, SCS Commodities and Axiom. Eric Sinclair heads the Data & Analytics division after joining us from the Toronto Stock Exchange in 2017.

As mentioned above, Martin Ryan has been appointed to the role of Group Chief Operating Officer. I have also appointed Sarah Lewis as our new Group Head of HR. Sarah joined in 2015 as Group Head of Reward and has delivered on a wide range of initiatives, including leading the HR integration activity.

We now have a clear management structure for the Group with four global business divisions operating alongside Corporate Services across three regions, which means they are more closely aligned with our clients and their needs.

Enhancing our competitive position

Since joining the Group in 2016, I have always been an advocate of the tremendous opportunities afforded to us from the acquisition of ICAP. The initial phase of the integration was focused on cost cutting. We have made progress on this but at the same time we have seen an increase in the costs of running a broking business. These costs reflect the increasing burden of operating in a highly regulated industry and are not within our control. The benefits of being the market leading interdealer broker, with significant scale and the ability to meet the challenges of increased regulatory scrutiny, are more apparent than ever. But for me the key rationale for the acquisition of ICAP was to combine the deepest pools of liquidity in OTC markets. That is the key resource of our business and an enormous source of value. I do not believe that we have fully realised this value as yet and my mission is to ensure that we do.

When we acquired ICAP, we significantly increased the depth and breadth of our broking franchise. Within the combined Group, either Tullett Prebon or ICAP is the number one or two brand in almost every product we trade. The key to realising the value of our broking businesses is by using any one brand's leadership position in a product to improve the overall competitive position of the other competing brand. This can be done by aggregating access to liquidity across brands and regions so that a customer can choose either brand or see a combined view of the liquidity TP ICAP provides access to.

We have already started to implement this concept within the Global Broking business. A practical example would be within our US Latin American Non-Deliverable Forward (NDF) FX business. ICAP has the deepest pools of liquidity and is the number one brand in this product, while Tullett Prebon has a lower market position. In 2018 we started to provide our clients with a combined portal that provides single sign-on and connectivity, enabling the customer to access not only ICAP's liquidity but also Tullett Prebon's liquidity across brands. The aim of this is to provide access to Tullett Prebon liquidity that customers would not otherwise have accessed regularly. As a result, we expect to see improvement in the revenues of the Tullett Prebon brand, and its overall competitive position, without cannibalisation of the leading ICAP brand. With Tullett Prebon now having a better ability to access clients electronically, TP ICAP is able to increase its overall market share.

Only by completing the integration and having a common infrastructure can we roll this out across every brand and region where it is feasible. This is the real prize for TP ICAP and this is why a great deal of my focus in the last six months has been on enhancing our competitive position and delivering the integration.

The aggregation of liquidity is one of my key objectives alongside the completion of the integration. At the same time, we are starting to lay the foundations for the next phase of the Group's development, which will be underpinned by four key pillars:

- Sustain and enhance our TECHNOLOGY offering so that we can aggregate liquidity and improve functionality and analytical tools for clients. We spend around £130m a year on technology on an ongoing basis.

- We want to be known for our OPERATIONAL EXCELLENCE - an organisation with the capabilities, systems and processes to offer outstanding service to our clients at every point in their interaction with us, while operating efficiently and responsibly.

- TP ICAP is a PEOPLE business and our staff are a key asset. We want a dynamic culture with a strong emphasis on conduct, integrity and risk management. We are committed to recruiting, retaining and developing the very best talent in the industry.

- DIVERSIFY our client base and range of services reflecting the shifts that are taking place in our industry and customers' evolving preferences. Markets are becoming more varied and clients are looking for new ways to access our products and services.

Near term outlook

Some of our segments are showing positive trends, but there is significant variance across products and regions. The political and economic environment within which we operate continues to present us with both opportunities and challenges. While the Group is positive with regard to factors within its control and the proactive changes we are pushing through, there remain many uncertainties. However, I am confident that with a renewed strategy, founded on our strategic pillars, and renewed sense of purpose, we are in a good position to navigate these successfully and make the most of the many opportunities we have to grow.

Concluding comments

We enter 2019 with a lot of work to do to transform the Group. Our employees make TP ICAP what it is, and during some particularly difficult times in 2018, they worked extremely hard and remained committed to serving our customers. I would like to thank every one of them for their enormous contribution. With the capabilities of our skilled and dedicated employees, and supportive clients, I am confident that we will succeed.

Nicolas Breteau
Chief Executive Officer
19 March 2019

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TP ICAP PLC
Financial review

Statutory Income Statement

2018

Income statement £m	**Underlying**	**Acquisition, disposal and integration costs**	**Exceptional items**	**Statutory**
Revenue	**1,763**	**-**	**-**	**1,763**
Underlying operating profit	**276**	**-**	**-**	**276**
Net charge relating to legal settlements	**-**	**-**	**(3)**	**(3)**
ICAP integration costs	**-**	**(44)**	**-**	**(44)**
Remeasurement of deferred consideration	**-**	**(5)**	**-**	**(5)**
Impairment of intangible assets arising on consolidation	**-**	**(65)**	**-**	**(65)**
Impairment of associate interest	**-**	**(3)**	**-**	**(3)**
Amortisation of intangible assets arising on consolidation	**-**	**(40)**	**-**	**(40)**
Charge relating to employee long-term benefits	**-**	**-**	**(2)**	**(2)**
Charge relating to business reorganisation	**-**	**-**	**(18)**	**(18)**
Other acquisition and disposal items	**-**	**(3)**	**-**	**(3)**
Operating profit	**276**	**(160)**	**(23)**	**93**
Net finance expense	**(31)**	**-**	**-**	**(31)**
Profit before tax	**245**	**(160)**	**(23)**	**62**
Tax	**(63)**	**10**	**14**	**(39)**
Share of net profit of associates and joint ventures	**12**	**-**	**-**	**12**
Non-controlling interests	**(3)**	**-**	**-**	**(3)**
Earnings	**191**	**(150)**	**(9)**	**32**
Average number of shares	**558.5m**			**558.5m**
Basic EPS	**34.2p**			**5.7p**

2017

Income statement £m	**Underlying**	**Acquisition, disposal and integration costs**	**Exceptional items**	**Statutory**
Revenue	1,757	-	-	1,757
Operating profit	263	-	-	263
Charge relating to cost improvement programme	-	-	(32)	(32)
ICAP integration costs	-	(79)	-	(79)
Acquisition related share-based payment charge	-	(9)	-	(9)
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Amortisation of intangible assets arising on consolidation	-	(40)	-	(40)
Other items	-	1	(2)	(1)
Operating profit	263	(127)	(34)	102
Net finance expense	(30)	-	-	(30)
Profit before tax	233	(127)	(34)	72
Tax	(61)	54	10	3
Share of net profit of associates and joint ventures	12	-	-	12
Non-controlling interests	-	-	-	-
Earnings	184	(73)	(24)	87
Average number of shares	551.8m			551.8m
Basic EPS	33.3p			15.8p

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

	2018	2017	Change
Global Broking revenue	**£1,278m**	£1,270m	+1%
Energy & Commodities revenue	**£331m**	£343m	-3%
Institutional Services revenue	**£37m**	£32m	+16%
Data & Analytics revenue	**£117m**	£112m	+4%
Total revenue	**£1,763m**	£1,757m	+0%
Underlying operating profit	**£276m**	£263m	+5%
Underlying operating margin	**15.7%**	15.0%	+0.7% pts
Statutory operating profit	**£93m**	£102m	-9%
Statutory operating margin	**5.3%**	5.8%	-0.5% pts
Average broker headcount	**2,727**	2,842	-4%
Average revenue per broker (£'000)	**604**	579	+4%
Average contribution per broker (£'000)*	**222**	210	+6%
Broking contribution**	**£604m**	£600m	+1%
Broking contribution margin	**36.7%**	36.5%	+0.2% pts
Data & Analytics contribution**	**£75m**	£70m	+7%
Data & Analytics gross contribution margin	**64.1%**	62.0%	+2.1% pts
Total contribution	**£679m**	£670m	+1%
Broker headcount - period end	**2,671**	2,715	-2%
Broker support headcount - period end	**1,704**	1,792	-5%
Broker compensation costs: broking revenue	**52.2%**	50.5%	+1.7% pts

* Average contribution per broker represents broking contribution (as defined in the Contribution section) divided by the average broker headcount with the prior year comparative calculated on the same basis

** Broking and Data and Analytics contribution are defined in the Contribution section

Average broker headcount decreased 4% to 2,727 in 2018 from 2,842 in 2017 and with a 4% increase in average revenue per broker, the resulting broking revenue was in line with 2017 (and 2% higher at constant exchange rates).

The period-end broking support headcount of 1,704 was 5% lower than at the end of 2017, primarily reflecting actions taken as part of the integration programme.

The tables below analyse revenue by business division as well as revenue and underlying operating profit by region for 2018 compared with the equivalent period in 2017, at constant exchange rates.

A significant portion of the Group's activity is conducted outside the UK and the statutory revenue is therefore impacted by the movement in the foreign exchange rates used to translate the revenue from non-UK operations. The comparative data in the tables below therefore shows revenue for 2017 translated at the same exchange rates as those used for 2018, with growth rates calculated on the same basis. The statutory revenue figures as reported for 2017 are shown in Note 3 to the Consolidated Financial Statements.

Revenue

Total revenue of £1,763m in 2018 was 3% higher than 2017 at constant exchange rates, and in line as reported.

Revenue by business division

£m	2018	2017	Change
Rates	**547**	520	+5%
Credit	**101**	114	-11%
FX & Money Markets	**207**	213	-3%
Emerging Markets	**213**	219	-3%
Equities	**210**	178	+18%
Global Broking	**1,278**	1,244	+3%
Energy & Commodities	**331**	335	-1%
Institutional Services	**37**	32	+16%
Data & Analytics	**117**	108	+8%
	1,763	1,719	+3%
Exchange translation		38	
Statutory	**1,763**	1,757	+0%

Conditions in financial markets have generally been supportive in 2018 with an increase in volatility, especially interest rates and equities markets, in the face of a reduced quantitative easing policy within the US and uncertain political environments across the world. Volatility and a steepening yield curve are positives for our business and Global Broking, and the Rates and Equities divisions in particular, benefited from these conditions. Global Broking revenue grew by 3% on a constant exchange rate basis with the Rates and Equities divisions growing by 5% and 18% respectively. Conditions in credit markets continue to remain challenging, with a lack of new issuance as well as restrictions on clients' balance sheets, resulting in a reduction in Credit revenue of 11%. FX & Money Markets and Emerging Markets both saw revenue declines of 3% compared with prior year due to subdued activity.

Energy & Commodities revenue was 1% lower than 2017 at constant exchange rates. Market conditions were good in gas, environmental products, European power, metals, and softs, but the benefit of these was offset by weaker US power markets, the closure of some non-core desks and bulks, where challenging iron ore and coal markets saw volume move away from our core offering. Oil revenues were flat and while the market experienced high volatility caused by the US/China trade war, Iranian sanctions and US mid-term elections, many of our clients have had a difficult year.

Institutional Services revenue has grown by 16% compared to 2017 at constant exchange rates driven by the performance of the COEX business, which grew significantly and benefited from strong growth in the US as well as within its global FX offering.

Data & Analytics revenue was 8% higher than 2017 at constant exchange rates with the business executing a number of targeted organic growth opportunities during the year that have enabled it to monetise more proprietary data by releasing new products with a restructured salesforce.

Revenue by region

£m	2018	2017	Change
EMEA	**886**	870	+2%
Americas	**636**	604	+5%
Asia Pacific	**241**	245	-2%
	1,763	1,719	+3%
Exchange translation		38	
Statutory	**1,763**	1,757	+0%

EMEA

Revenue for the region was £886m and increased by 2% relative to 2017 at constant exchange rates. Global Broking revenue increased overall by 2% driven primarily from strong performance within the Rates and Equities divisions. Market conditions were supportive of increased trading in these products due to volatility created from the macroeconomic environment, which included: interest rate increases in the US and UK and the speculation preceding them; US & China trade worries; Brexit uncertainty; and Eurozone slowdown expectations.

Revenue from Energy & Commodities was flat in the region year-on-year with the ICAP brand in particularly benefiting from investments made in expanding the product suite. Liquefied Natural Gas (LNG) markets have grown strongly, whilst the European power and gas markets have benefited from tightening in the EU Emissions scheme, and have largely offset weaker oil and coal revenues, and the closure of some non-core business.

Institutional Services has seen a 4% decrease year-on-year resulting from a decline in the Mirexa business, which saw the Euro Government Bonds and FX Options desks close in 2018. This was partially offset by gains in Real Estate and COEX, which saw favourable market conditions and increased volatility, along with onboarding of a number of new clients.

Americas

Americas increased revenues by 5% in 2018 versus 2017 at constant exchange rates. The Americas have reduced underperforming broker headcount over the course of 2017 and 2018, increasing revenue per broker by 7%, which positioned the business to take advantage of the stronger market conditions and increased volatility seen in 2018.

Within the Global Broking business, general market conditions improved during 2018 leading to increased trading. Rates revenue increased by 7% as interest rate rises benefited trading across interest rate derivatives, government bonds and repos. Rates continues to be TP ICAP Americas' largest asset class.

Americas' Equities revenue was up 27% on the back of significantly increased volatility relative to historically low levels of volatility

in US Equity markets in 2017. Equities continues to be an area of investment and new product expansion.

FX & Money Markets businesses saw flat revenues in 2018 as Forward FX and derivatives offset subdued conditions in the Money Markets area. A more subdued market in the second half of 2018 led to decreased volumes in Local Markets resulting in a slowdown in revenues in the period.

US Credit markets remained subdued despite heightened activity in other areas of financial markets. However, given the large number of US 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.

Americas' Energy & Commodities business had flat revenues in 2018. The region saw increased revenue in Oil products on the back of the acquisitions of SCS Commodities in January 2018 and Axiom in November 2018. However, these gains were offset by poor year-on-year comparables in US Power and Natural Gas.

The Americas also saw growth in the Institutional Services business with a full year performance of the COEX business, which was acquired in November 2017. This business continues to perform well and is a growth opportunity for the region.

Asia Pacific
Revenue in Asia Pacific declined by 2% in 2018 versus 2017 at constant exchange rates, reflecting difficult conditions in the Energy & Commodities business as well as within certain products in Global Broking.

Global Broking revenue in the region was up 1% year on year with the benefit of business development in the Tullett Prebon brand, where revenue grew by 11%, but this was offset by a loss of revenue in the ICAP brand, where revenue fell by 14% largely as a result of brokers moving to competitors in late 2017. Within specific countries the Global Broking business performed well, such as in Hong Kong, as a result of the hire of a new equities derivatives desk, as well as within the Rates business, which benefited from movements in the US dollar yield curve. The Singapore business had a good year with both the FX & Money Markets and Rates businesses in particular performing well. During the year the region restructured its operations in Indonesia and Korea so that both countries now operate under a single Tullett Prebon brand.

Overall, conditions in the Energy & Commodities markets in the region were unfavourable and revenue from these products declined by 13% year-on-year. The ICAP iron ore business suffered a steep decline in revenue due to the migration of liquidity from the OTC market onto exchange. Revenue from oil and gas and their related products fell by around 13% due to a shift of gasoil market activity from Asian hours to the London market, together with some disruption to the Tullett Prebon branded naphtha desk. However, the Australian energy business, mainly power, gathered momentum and achieved a 17% increase in revenue and the Singapore based precious metals desk grew by 30%.

Underlying administrative expenses

Total underlying administrative expenses of £1,498m in 2018 were 1% lower than 2017 as reported and 1% higher at constant exchange rates.

Underlying administrative expenses

	2018	2017	Change	Change
	£m	£m	£m	%
Broker compensation	**859**	809	50	+6%
Other front office costs	**183**	214	(31)	-14%
Total front office costs	**1,042**	1,023	19	+2%
Other staff costs	**242**	241	1	0%
Technology and related costs	**52**	49	3	+6%
Premises and related costs	**52**	50	2	+4%
Depreciation and amortisation	**33**	33	-	0%
Other administrative costs	**77**	82	(5)	-6%
Total management and support costs	**456**	455	1	0%
Total costs	**1,498**	1,478	20	+1%
Exchange translation		31		
Underlying expenses	**1,498**	1,509	(11)	-1%

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 4 of the accounts as we have split out front office and management and support costs and we have shown this on a constant exchange rate basis. The reconciling items between the presentation above and Note 4 included within other front office costs are: £94m of technology costs; £2m of depreciation and amortisation and £87m of other administrative costs.

Overall, the underlying cost base has seen a 1% increase at constant exchange rates to £1,498m in 2018 compared with 2017. This has been substantially driven by an increase in total front office costs. Broker compensation costs increased by £50m during

the period reflecting the 2% increase in broking revenue at constant exchange rates and an increase in the broker compensation ratio from 50.5% to 52.2%. The increase in broker compensation reflects the impact of the increase in revenue between the two periods in the underlying business, the acquisitions of COEX and SCS Commodities and higher amortisation relating to initial contract payments made to brokers to secure their services against increased competition for their talent.

Offsetting this increase has been a £31m reduction in other front office costs that includes lower travel and entertainment spend, a reduction in legal fees and a £14m reduction reflecting the removal of the Group's obligation to rebate revenue to COEX following their acquisition in November 2017.

The £1m increase in other staff costs is driven by offsets to the impact of synergy savings, principally relating to the acquisitions of COEX and SCS Commodities, the establishment of the Institutional Services division, the Belfast centre, our Early Careers programme, strengthening corporate functions and severance payments.

Technology and related costs include the costs of all external technology services, including maintenance contracts, consultancy, market data services and communications costs. During 2018 these costs increased 6% against 2017 with a modest amount of synergy savings being offset by acquisitions and new initiatives.

Premises costs increased by 4% in 2018 compared with 2017 reflecting office relocations in London, New York, Singapore and Belfast partly offset by synergy savings achieved in all regions.

The reduction in other administrative costs reflects a significant reduction in the use of contractors and the reduction of legal fees in the US relative to the prior year.

Synergy savings and administrative expenses

As at the end of December 2018 the cumulative annualised synergy savings achieved from the integration programme were £71m, an increase of £19m on the annualised £52m of synergy savings reported at the end of 2017. Of the £19m additional run rate synergies, £13m were recognised in the period.

Synergy savings reflect the reduction of underlying staff and others costs as a result of implementing the integration programme. Staff cost savings are a result of either individuals leaving the Group or transferring to integration related roles that will cease once integration is complete.

The table below shows the movement in administrative expenses between 2017 and 2018 re- categorised to reflect the impact of the movement in synergy savings against other costs between the two periods.

2017 reported	FX	2017 constant	Synergy savings	New initiatives	Net cost increases	Net one-off increases	Total front office costs	Acquired costs	2018 Reported
1,509	(31)	**1,478**	(31)	8	7	12	19	5	**1,498**

The additional £8m incurred in new initiatives includes investment in the Institutional Services business (£3m), Belfast (£3m) and Early Careers (£1m).

Net costs show an increase of £7m, which includes increased internal audit and professional fees (audit and insurance) and increased premises costs in London, New York and Singapore. One off increases of £12m include Brexit costs (£2.5m), severance costs (£4m), MiFID II costs (£1m), and the impact of a reduction in the capitalisation of staff costs on IT projects (£3m).

The remaining £24m movement in costs comprises increases of £19m in total front office costs (as explained above) and £5m in additional costs acquired with the acquisition of COEX and SCS Commodities.

Contribution

Broking contribution represents the revenue of our broking businesses (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	**FY 2018**	FY 2017	Change	Change
	£m	£m	£m	%
Revenue	**1,646**	1,611	35	+2%
Total front office costs	**(1,042)**	(1,023)	(19)	-2%
Contribution	**604**	588	16	+3%
Contribution margin (%)	***36.7%***	*36.5%*	*+0.2% pts*	

In 2018 the overall level of contribution increased by £16m or 3% to £604m. The overall contribution margin increased by 0.2 percentage points to 36.7% driven by a 2% 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	**2018**	2017	Change	Change
	£m	£m	£m	%
Revenue	**117**	108	9	+8%
Direct costs	**(42)**	(41)	-1	-2%
Gross contribution	**75**	67	8	+12%
Gross contribution margin (%)	***64.1%***	*62.0%*	*+2.1% 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 broking businesses. An improvement in the absolute level of contribution is an important metric in driving earnings growth for the Group.

In 2018 the overall level of contribution increased by £8m or 12% to £75m. The overall gross contribution margin increased by 2.1 percentage points to 64.1% driven by an 8% increase in revenue at constant exchange rates.

Underlying operating profit

The underlying operating profit of £276m is 5% higher than the prior year, with an underlying operating profit margin of 15.7% which is 0.7 percentage points higher than 2017. Underlying earnings per share for 2018 of 34.2p are 0.9p higher than for 2017.

Statutory operating profit of £93m was 9% lower than in 2017, and the statutory operating profit margin of 5.3% is 0.5 percentage points lower than 2017. Statutory operating profit is after exceptional and integration, acquisition and disposal related items, and is described further below. Statutory earnings per share of 5.7p are 10.1p lower than in 2017, reflecting the impact of the £65m impairment of goodwill.

Underlying operating profit by region

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

Underlying operating profit

£m	**2018**	2017	Change
EMEA	**173**	170	+2%
Americas	**81**	64	+27%
Asia Pacific	**22**	29	-24%
Underlying	**276**	263	+5%

Underlying operating profit margin by region

£m	**2018**	2017
EMEA	**19.5%**	19.4%
Americas	**12.7%**	10.2%
Asia Pacific	**9.1%**	11.5%
Underlying	**15.7%**	15.0%

EMEA

Underlying operating profit in EMEA of £173m was 2% higher than 2017, and with revenue up 1%, the underlying operating profit margin has increased by 0.1 percentage point, to 19.5%. These improvements reflect growth in the contribution margin of the business due to a reduction in other front office costs as well as the growth in revenue.

Americas

In the Americas, the underlying operating profit of £81m is 27% higher than 2017 and the underlying operating profit margin has improved by 2.5 percentage points to 12.7% reflecting higher revenue growth and contribution as well as cost savings from the integration.

Asia Pacific

Underlying operating profit in Asia Pacific decreased by £7m to £22m in 2018, while the underlying operating profit margin has reduced by 2.4 percentage points to 9.1% with reductions in management and support costs as a result of the integration being more than offset by increases in broker compensation. These increases were in response to competition for our brokers increasing the level of initial contract payments the region paid at the end of 2017 into the beginning of 2018.

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 £44m 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. We have incurred £44m in respect of integration costs in 2018 and we are forecasting no more than £160m of total integration costs by the end of the integration programme.

The major elements of the integration costs in 2018 continued to be staff costs (£22m), which include £8m of severance costs and other costs of £22m which include fixed term contractors (£7m) and consultancy costs (£14m).

The £14m of consultancy cost charged in 2018 is primarily in respect of reviews of the technology strategy and scope for cost reduction, project management support and analysis, software development and quality assurance and support for the project to reduce and rationalise the legal entity structure.

A further charge of £40m has been charged through the income statement reflecting the amortisation of intangible assets other than goodwill arising on acquisitions, reflecting brand value, the value of customer relationships and other intangible assets. This non-cash item is excluded from underlying results to present the performance of the Group's acquired businesses consistently with its organically grown businesses where such intangible assets are not recognised.

In accordance with its obligations under IAS 36 (see also Note 11), 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 and the carrying value of the Asia Pacific CGU has been written down by £7m both of which are included as acquisition related items. This non-cash impairment does not have an impact on the regulatory capital position, which excludes the carrying value of intangible assets in the calculation of the Group's allowable resources.

Other acquisition, disposal and integration costs include a £5m charge for adjustments to acquisition consideration, principally due to an increase in the expected deferred consideration on the COEX acquisition due to its strong performance. There are also £3m of other minor acquisition and disposal items that have been excluded from underlying results.

The £3m exceptional charge in 2018 reflects an exceptional legal provision in connection with a regulatory investigation in the US offset by the release of a legal provision in relation to the ICAP Yen Libor case in 2013 / 2014 (see Note 14). Other exceptional items include £2m in relation to a charge relating to employee long-term benefits associated with the ICAP acquisition and £18m in relation to a charge for business reorganisation that is a one off onerous lease provision associated with office moves the Group has undertaken. Exceptional items have been excluded from underlying results as they are non-recurring and do not relate to the underlying performance of the business.

Net finance expense

The underlying net finance expense of £31m is £1m higher than the £30m charged in 2017. The finance expense of £36m comprises £30m of interest expense on the Group's Sterling Notes (£26m 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, £4m relating to the drawdown of the revolving credit facility during 2018 and another £1m of settlement interest expense. The expense is offset by £4m of interest income and £1m of non-cash income on the retirement benefit asset.

Tax

The effective rate of tax on underlying profit before tax is 25.8% (2017: 26.0%). The rate is slightly lower than the prior year 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 profit before tax is 62.9% (2017: (4.2)%), reflecting the tax deductibility of certain exceptional expenses. The outlook for the underlying effective tax rate in 2019 is for a potential reduction of 1% to around 25%, as the initial impact of measures broadening the tax base in the US is expected to reduce.

Basic EPS

The average number of shares used for the basic EPS calculation of 558.5m 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.

Dividend

The Group's dividend policy is to maintain a full year dividend of 16.85 pence throughout the integration period.

Cash flow

2018

	Acquisition, disposal and integration costs

£m	Underlying	and exceptional items	Reported
Underlying operating profit	**276**	(183)	93
Share based payment charge and pension scheme administration fees	6		6
Depreciation and amortisation	35	4	39
Non-cash items		6	6
Impairment and amortisation of intangible assets arising on consolidation		105	105
Impairment of associate		3	3
EBITDA	**317**	**(65)**	**252**
Change in initial contract prepayments	(10)		(10)
Working capital	(29)	-	(29)
Cash generated from operations	**278**	**(65)**	**213**
Capital expenditure	(73)		
Underlying operating cash flow	**205**		
Income taxes paid	(41)	11	(30)
Interest paid	(34)		(34)
Underlying free cash flow	**130**		
Reported net cash flow from operating activities			**149**

2017

£m	Underlying	Acquisition, disposal and integration costs and exceptional items	Reported
Underlying operating profit	263	(161)	102
Share based payment charge and pension scheme administration fees	6	14	20
Depreciation and amortisation	41		41
Non-cash items	(2)	-	(2)
Impairment & amortisation of intangibles on consolidation	-	40	40
EBITDA	**308**	**(107)**	**201**
Change in Initial contract prepayments	(26)		(26)
Working capital	(31)	(8)	(39)
Cash generated from operations	**251**	**(115)**	**136**
Capital expenditure	(41)		
Underlying operating cash flow	**210**		
Income taxes paid	(37)	10	(27)
Interest paid	(22)		(22)
Underlying free cash flow	**151**		
Reported net cash flow from operations			**87**

The cash flow presentation above reconciles the underlying cash flow generation, excluding the impact of acquisition, disposal and integration costs and exceptional items, to the reported net cash flow from operations. The impact on EBITDA of acquisition,

disposal and integration costs and exceptional items was £65m during the period principally relating to the costs of the integration.

During the period there was a £10m movement in initial contract prepayments reflecting the increased expenditure incurred to retain broking staff due to competitive pressures. The working capital outflow of £29m has fallen since the half year (when it was £59m) but still reflects an increase in trade receivables, reflecting the higher revenue in December 2018 compared with the prior year, together with an increase in debtor days as we continue to face challenges of expediting payment for our broking services from our customers.

Capital expenditure has increased to £73m reflecting the impact of office moves in New York, London, Singapore and Belfast. The capital expenditure on these office moves amounted to £46m as the Group implemented its co-location strategy in London, New York and Singapore and expanded its operations in Belfast. Overall capital expenditure is below our initial £80m guidance for 2018 and we still expect capital expenditure of approximately £70m in 2019 due to further planned office moves in London and Hong Kong, as well as the costs of ongoing investments in the business.

After interest paid and underlying taxation paid, the underlying free cash flow for the Group was £130m, a decrease on the £151m generated in 2017. This decrease is driven by higher capital expenditure associated with the office moves as well as higher interest paid in 2018 reflecting the Group paying a full year's worth of interest on the £500m 2024 bond.

The movement in net funds is summarised below:

£m	Cash & cash equivalents	Financial investments	Total funds	Debt	Net funds
At 31 December 2017	622	139	761	(589)	172
Reported net cash flow from operations	149		149		149
Investing activities	(71)	(4)	(75)		(75)
Dividends paid	(94)		(94)		(94)
Net draw down of the revolving credit facility	52		52	(52)	-
Other financing activities	(9)		(9)		(9)
Effect of movements in exchange rates	19	(2)	17		17
Debt issue cost amortisation				(1)	(1)
IFRS 9 adjustment	(1)		(1)		(1)
At 31 December 2018	**667**	**133**	**800**	**(642)**	**158**

£87m of 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 Financial Conduct Authority (FCA) following their Supervisory Review and Evaluation Programme (SREP) visit. At the year end, the balance drawn on the revolving credit facility was £52m. At the end of February 2019, the balance drawn was £86m.

Of the £800m cash and financial investments balance at the period end, £703m is held in 57 regulated entities to meet regulatory capital, margin and other trading requirements as well as accrued profits, £94m is held in non-regulated entities for working capital requirements as well as accrued profits and £3m is held in corporate holding companies.

The £703m of cash held in regulated entities generally remains restricted within those Group's entities for regulatory and operational reasons.

Debt finance

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

£m	**At 31 December 2018**	At 31 December 2017
5.25% Sterling Notes June 2019	**80**	80
5.25% Sterling Notes January 2024	**500**	500
Revolving credit facility drawn	**52**	-
Unamortised debt issue costs	**(2)**	(3)
Accrued interest	**12**	12
	642	589

The revolving credit facility was refinanced in December 2018 on improved terms increasing our overall facility to £270m from £250m. The revolving credit facility now matures in December 2021, and £52m 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	
	2018	2017	**2018**	2017
US dollar	**$1.34**	$1.29	**$1.28**	$1.35
Euro	**€1.13**	€1.15	**€1.13**	€1.13

Pensions

The Group has one defined benefit pension scheme in the UK. The scheme is closed to new members and future accruals.

The triennial actuarial valuation of the scheme as at 30 April 2016 was concluded in April 2017. The actuarial funding surplus of the scheme at that date was £61m and under the agreed schedule of contributions the Company will continue not to make any payments into the scheme.

In 2017 the Group reported that the Trustees had insured the defined benefit liabilities of the scheme through a bulk annuity 'buy-in' with Rothesay Life. The policy is in the name of the scheme and is a scheme asset.

The assets and liabilities of the scheme are included in the Consolidated Balance Sheet in accordance with IAS 19. The fair value of the scheme's assets at 31 December 2018 was £243m (31 December 2017: £260m). The decrease reflects the investment return on the assets less amounts paid as benefits and transfers. The present value of the scheme's liabilities at the end of December 2018, calculated in accordance with IAS 19, was £188m (31 December 2017: £203m). The valuation of the scheme's liabilities at the end of the period reflects the demographic assumptions adopted for the most recent triennial actuarial valuation and a discount rate of 2.7% (31 December 2017: 2.4%). Under IAS 19, the scheme shows a surplus, before the related deferred tax liability, of £55m at 31 December 2018 (31 December 2017: £57m).

Regulatory capital

The Group's lead regulator is the FCA.

The Group has a waiver from the consolidated capital adequacy requirements under CRD IV. The Group's current waiver took effect on 30 December 2016, following the acquisition of ICAP, and will expire on 30 December 2026. Under the terms of the waiver, each investment firm within the Group must be treated as either a limited activity or a limited licence firm and comply with its individual regulatory capital resources requirements. TP ICAP plc, as the parent Company, must continue to maintain capital resources in excess of the sum of the solo notional capital resources requirements for each relevant firm within the Group (the 'Financial Holding Company test').

The terms of the waiver require the Group to eliminate the excess of its consolidated own funds requirements compared with its consolidated own funds ('Excess Goodwill') over the ten-year period to 30 December 2026. The amount of the Excess Goodwill must not exceed the amount determined as at the date the waiver took effect (the "Excess Goodwill Ceiling"). The Excess Goodwill Ceiling is reduced to nil in line with a schedule over ten-years to December 2026, with the first reduction of 25% occurring at the end of June 2019. The Excess Goodwill Ceiling continues to reduce 25% every 2.5 years on a straight line basis. The Group expects to reduce its Excess Goodwill in accordance to the declining Excess Goodwill Ceiling. The waiver also sets out conditions with respect to the maintenance of financial ratios relating to leverage, debt service and debt maturity profile.

The Group's regulatory capital headroom under the Financial Holding Company test calculated in accordance with Pillar 1 was £1,605m (2017: £1,702m). Many of the Group's broking entities are regulated on a 'solo' basis, and are obliged to meet the regulatory capital requirements imposed by the local regulator of the jurisdiction in which they operate. The Group maintains an appropriate excess of financial resources in such entities.

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

IFRS 16 leases

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

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Consolidated Income Statement

for the year ended 31 December 2018

2018	Notes	Underlying £m	Acquisition, disposal and integration costs (Note 5) £m	Exceptional items (Note 5) £m	Total £m
Revenue	3	**1,763**	-	-	**1,763**
Administrative expenses	4	**(1,498)**	**(160)**	**(23)**	**(1,681)**
Impairment loss on trade receivables		**(1)**	-	-	**(1)**
Other operating income	6	**12**	-	-	**12**
Operating profit	3	**276**	**(160)**	**(23)**	**93**
Finance income	7	**5**	-	-	**5**
Finance costs	8	**(36)**	-	-	**(36)**
Profit before tax		**245**	**(160)**	**(23)**	**62**
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Taxation		**(63)**	**20**	**4**	**(39)**
Profit after tax		**182**	**(140)**	**(19)**	**23**
Share of results of associates and joint ventures		**12**	**-**	**-**	**12**
Profit for the year		**194**	**(140)**	**(19)**	**35**
Attributable to:					
Equity holders of the parent		**191**	**(140)**	**(19)**	**32**
Non-controlling interests		**3**	**-**	**-**	**3**
		194	**(140)**	**(19)**	**35**
Earnings per share					
- Basic	9	**34.2p**			**5.7p**
- Diluted	9	**33.9p**			**5.7p**
2017					
Revenue	3	1,757	-	-	1,757
Administrative expenses	4	(1,509)	(128)	(34)	(1,671)
Impairment loss on trade receivables		(2)	-	-	(2)
Other operating income	6	17	1	-	18
Operating profit	3	263	(127)	(34)	102
Finance income	7	6	-	-	6
Finance costs	8	(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 year		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	9	33.3p			15.8p
- Diluted	9	32.7p			15.5p

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Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	2018	2017
	£m	£m
Profit for the year	**35**	87
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit pension schemes	**(2)**	(45)
Equity instruments at FVTOCI - net change in fair value	**7**	--
Taxation relating to item not reclassified	**1**	16
	6	(29)
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale assets (pre IFRS 9 -- see Note(2(d))		
- Revaluation gains	**-**	(1)
Effect of changes in exchange rates on translation of foreign operations	**49**	(93)
Taxation relating to items that may be reclassified	**-**	-
	49	(94)
Other comprehensive income/(loss) for the year	**55**	(123)
Total comprehensive income/(loss) for the year	**90**	(36)
Attributable to:		
Equity holders of the parent	**86**	(35)
Non-controlling interests	**4**	(1)
	90	(36)

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Consolidated Balance Sheet

as at 31 December 2018

	Notes	**2018** **£m**	2017 £m
Non-current assets			
Intangible assets arising on consolidation	11	**1,594**	1,642
Other intangible assets		**69**	69
Property, plant and equipment		**74**	38
Investment in associates		**53**	52
Investment in joint ventures		**26**	24
Other investments		**20**	19
Deferred tax assets		**4**	2
Retirement benefit assets		**55**	57
Other long term receivables		**20**	19
		1,915	1,922
Current assets			
Trade and other receivables		**22,798**	34,690
Financial investments	13	**133**	139
Cash and cash equivalents	13	**667**	622
		23,598	35,451
Total assets		**25,513**	37,373
Current liabilities			
Trade and other payables		**(22,735)**	(34,681)
Interest bearing loans and borrowings	13	**(144)**	(12)
Current tax liabilities		**(55)**	(46)
Short term provisions	14	**(31)**	(42)
		(22,965)	(34,781)
Net current assets		**633**	670
Non-current liabilities			
Interest bearing loans and borrowings	13	**(498)**	(577)
Deferred tax liabilities		**(123)**	(116)
Long term provisions	14	**(30)**	(19)
Other long term payables		**(64)**	(43)
Retirement benefit obligations		**(3)**	(4)
		(718)	(759)
Total liabilities		**(23,683)**	(35,540)
Net assets		**1,830**	1,833
Equity			
Share capital		**141**	139
Share premium		**17**	17
Merger reserve		**1,384**	1,378
Other reserves		**(1,158)**	(1,208)
Retained earnings		**1,430**	1,494
Equity attributable to equity holders of the parent		**1,814**	1,820
Non-controlling interests		**16**	13
Total equity		**1,830**	1,833

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Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

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

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

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Consolidated Cash Flow Statement

for the year ended 31 December 2018

	Notes	2018	2017
		£m	£m
Cash flows from operating activities	12	**149**	87
Investing activities			
Sale/(purchase) of financial investments		**4**	(54)
Sale of equity instruments at FVTOCI		**7**	-
Sale of available-for-sale investments		**-**	4
Interest received		**3**	3
Dividends from associates and joint ventures		**10**	13
Expenditure on intangible fixed assets		**(26)**	(26)
Purchase of property, plant and equipment		**(47)**	(15)
Deferred consideration paid		**(3)**	(4)
Investment in associates		**(2)**	(1)
Acquisition consideration paid		**(18)**	(5)
Cash acquired with acquisitions		**1**	1
Net cash flows from investment activities		**(71)**	(84)
Financing activities			
Dividends paid	10	**(94)**	(58)
Dividends paid to non-controlling interests		**(1)**	(1)
Equity repayment to non-controlling interests		**-**	(6)
Share issue costs		**-**	(7)
Own shares acquired for employee trusts		**(5)**	(4)
Drawdown of revolving credit facility		**87**	-
Repayment of revolving credit facility		**(35)**	-
Funds received from issue of Sterling Notes		**-**	500
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Repayment of bank debt		**-**	(470)
Bank facility arrangement fees and debt issue costs		**(3)**	(3)
Net cash flows from financing activities		**(51)**	(49)
Net increase/(decrease) in cash and cash equivalents		**27**	(46)
Net cash and cash equivalents at the beginning of the year		**622**	696
Adjustment on initial application of IFRS 9 (Note 2(d))		**(1)**	-
Effect of foreign exchange rate changes		**19**	(28)
Net cash and cash equivalents at the end of the year	13	**667**	622
Cash and cash equivalents		**680**	622
Overdrafts		**(13)**	-
Cash and cash equivalents at the end of the year		**667**	622

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Notes to the Consolidated Financial Statements

for the year ended 31 December 2018

1. General information

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

2. Basis of preparation

(a) Basis of accounting

The financial information included in this document does not constitute the Group's statutory accounts for the years ended 31 December 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

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

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

(b) Basis of consolidation

The Group's Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Company made up to 31 December each year. Under IFRS 10 control is achieved where the Company exercises power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to use its power to affect the returns from the entity.

(c) Presentation of the Income Statement

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

The column 'acquisition, disposal and integration costs' includes: any gains, losses or other associated costs on the full or partial disposal of investments, associates, joint ventures or subsidiaries and costs associated with a business combination that do not constitute fees relating to the arrangement of financing; amortisation 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 Consolidated Income Statement.

(d) Adoption of new and revised Accounting Standards

The following new and revised Standards and Interpretations have been adopted in the current year:

IFRS 9 'Financial Instruments'

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 impact on the Group's Consolidated Financial Statements are described below.

Classification and measurement
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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 ('FVTOCI') and (iii) fair value through profit or loss ('FVTPL'). Equity instruments 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 instrument is measured at FVTOCI 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 instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the instrument's fair value in Other Comprehensive Income ('OCI'). This election is made on an instrument-by-instrument basis.

All financial assets not classified as measured at amortised cost or FVTOCI 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 FVTOCI 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.

Impact of the classification and measurement requirements

There has been no impact in the classification and measurement of the Group's financial assets as at the date of initial application of IFRS 9, except for £17m of equity instruments classified as available- for-sale under IAS 39 which the Group has elected to apply the FVTOCI option and for £2m of corporate debt securities and £86m of government debt instruments, that were classified as available-for-sale, which are now mandatorily held as FVTOCI.

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 FVTOCI, 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, cash and cash equivalents, term deposits and restricted funds.

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.

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 FVTOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impairment losses related to trade receivables, settlement balances and deposits paid for securities borrowed, are presented separately in the statement of profit or loss . 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.

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 has not had 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 receivables as at 31 December 2017	**4**
- Other financial assets	**1**
Loss allowance at 1 January 2018 under IFRS 9	**11**
Associated adjustment to deferred tax	**(1)**

The Group has recognised lifetime ECLs for trade receivables. The expected credit losses on these financial assets were estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

For other financial assets, the Group has recognised loss allowances at an amount equal to 12-month ECL or lifetime ECL based on the credit risk of the respective financial instrument when it was initially recognised compared to the credit risk as at 1 January 2018. However, if the financial instrument had a low credit risk at 1 January 2018, the Group assumed that the credit risk had not increased significantly since initial recognition.

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 application of IFRS 15 has not had a significant impact on the financial position nor performance of the Group. In respect of contracts for the provision Data & Analytics, the Group has applied the practical expedient in IFRS 15, allowing for the non-disclosure of both the amount of the transaction price allocated to the remaining performance obligations, and an explanation of when it expects to recognise that amount. In relation to these contracts the Group has a right that corresponds directly with the value of the Group's performance completed.

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. Performance obligations in respect of Name Passing and Executing Brokerage continue to be recognised at a point in time, being the trade date. Performance obligations for the provision of Data & Analytics continue 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;
- Annual Improvements to IFRSs (2014-2016 Cycle, relating to improvements effective from 1 January 2018); and
- Amendments to IAS 40: Transfers of Investment Property.

IFRS 16 'Leases'

The Group has not applied IFRS 16 'Leases' in the preparation of these Financial Statements as it is not yet effective. IFRS 16 introduces comprehensive changes to the identification and accounting for leases for lessees. The date of initial application for the Group will be 1 January 2019 and will apply for the year ending 31 December 2019.

IFRS 16 distinguishes leases and service contracts on the basis of whether an asset is controlled by the customer. The distinction between operating leases and finance leases is removed for lessees. Instead, all leases, except for short-term leases and leases of low value assets, are recorded as a right-of-use asset with a corresponding liability.

The right-of-use asset is initially measured at cost and subsequently adjusted, subject to certain exceptions, for accumulated depreciation, impairment losses, and any remeasurement of the associated lease liability. The lease liability is initially measured at the present value of future lease payments and subsequently adjusted for interest, lease payments, and the impact of any

lease modifications.

The Group has chosen the cumulative catch-up approach in IFRS 16. Under this transition method, comparative information will not be restated and cumulative adjustments will be reflected in opening reserves.

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation assessment. The assessment has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Lease cash flows, currently presented as operating cash flows, will be split into payments of principal and interest and will be presented as financing and operating cash flows respectively.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of £313m. Under IAS17 the 2019 operating lease expense on these leases was forecast to be £30m.

The Group's assessment of these leases indicates that £7m of these arrangements relate to short-term leases and leases of low-value assets. The remaining £306m relate to leases on which the Group estimates it will, in 2019, recognise a right-of-use asset of £146m and a lease liability of £192m. As at 31 December 2018 the Group held £14m of provisions for onerous lease contracts and building dilapidations, and £32m in respect of lease liability incentives. These are offset against the right-of-use asset when determining its carrying value.

The estimated impact on profit or loss is to decrease Other operating expenses by £25m, to increase depreciation by £17m and to increase net interest expense by £14m.

Discount rates used to estimate the lease liabilities range from 2.4% to 13.6%. A 1.0% reduction in discount rates would increase the lease liability, and the associated right-of-use asset, by £10m, reducing interest expense by £1m and increasing depreciation by £1m.

The Group's financial statements for 2019 will reflect the application of the standard to qualifying lease obligations existing as at 1 January 2019 and to new qualifying lease obligations entered into during the period.

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

Where the Group is an intermediate lessor, it will account for the head lease and the sublease as two separate contracts and is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Because of this change, the Group will reclassify certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue, recognised in finance income.

3. Segmental analysis

Products and services from which reportable segments derive their revenues

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

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

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

	2018	2017
	£m	£m
Revenue		
EMEA	**886**	877
Americas	**636**	628
Asia Pacific	**241**	252
	1,763	1,757
Operating profit:		
EMEA	**173**	170
Americas	**81**	64
Asia Pacific	**22**	29
Underlying operating profit	**276**	263
Acquisition, disposal and integration costs (Note 5)	**(160)**	(127)
Exceptional items (Note 5)	**(23)**	(34)
Reported operating profit	**93**	102
Finance income	**5**	6
Finance costs	**(36)**	(36)
Profit before tax	**62**	72
Taxation	**(39)**	3

Profit after tax	**23**	75
Share of results of associates and joint ventures	**12**	12
Profit for the year	**35**	87

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

	2018	2017
Revenue by Business Division	**£m**	£m
- Rates	**547**	528
- Credit	**101**	117
- FX & Money Markets	**207**	218
- Emerging Markets	**213**	225
- Equities	**210**	182
Global Broking	**1,278**	1,270
Energy & Commodities	**331**	343
Institutional Services	**37**	32
Data & Analytics	**117**	112
	1,763	1,757

4. Administrative expenses

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

2017				
Broker compensation costs	828	-	32	860
Other staff costs	237	35	-	272
Acquisition related share-based payment charge	-	9	-	9
Other share-based payment charge	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 deferred consideration	-	(1)	-	(1)
Acquisition costs	-	1	-	1
Other administrative costs	204	32	-	236
	1,509	128	34	1,671

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

Acquisition, disposal and integration costs comprise:

	2018	2017
	£m	£m
ICAP integration costs		
- Employee related costs	**22**	35

- Share-based payment charge	**-**	5
- Premises, equipment and other intangible assets	**1**	3
- Amortisation of other intangible assets	**1**	4
- Other administrative costs	**20**	32
	44	79
Acquisition and disposal costs		
- Acquisition costs	**3**	1
- Acquisition related share-based payment charge	**-**	9
- Amortisation of intangible assets arising on consolidation	**40**	40
- Impairment of intangible assets arising on consolidation	**65**	-
- Impairment of associate	**3**	-
- Adjustments to deferred consideration	**5**	(1)
	160	128
Other income	**-**	(1)
	160	127
Taxation	**(20)**	(54)
	140	73

Exceptional items comprise:

	2018 £m	2017 £m
Charge relating to business reorganisation	**18**	-
Charge relating to cost improvement programmes	**-**	32
Charge relating to employee long-term benefits	**2**	2
Net charge relating to legal settlements	**3**	-
	23	34
Taxation	**(4)**	(10)
	19	24

6. Other operating income

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

7. Finance income

	2018 £m	2017 £m
Interest receivable and similar income	**4**	3
Deemed interest arising on the defined benefit pension scheme surplus	**1**	3
	5	6

8. Finance costs

	2018 £m	2017 £m
Interest and fees payable on bank facilities	**4**	4
Interest payable on Sterling Notes June 2019	**4**	4
Interest payable on Sterling Notes January 2024	**26**	24
Other interest payable	**1**	1
Amortisation of debt issue and bank facility costs	**1**	3
Total borrowing costs	**36**	36

9. Earnings per share

	2018	2017
Basic - underlying	**34.2p**	33.3p
Diluted - underlying	**33.9p**	32.7p
Basic earnings per share	**5.7p**	15.8p
Diluted earnings per share	**5.7p**	15.5p

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

	2018 No.(m)	2017 No.(m)
Basic weighted average shares	**558.5**	551.8
Contingently issuable shares	**5.6**	10.9
Diluted weighted average shares	**564.1**	562.7

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

	2018	2017
	£m	£m
Earnings for the year	**35**	87
Non-controlling interests	**(3)**	-
Earnings	**32**	87
Acquisition, disposal and integration costs (Note 5)	**160**	127
Exceptional items (Note 5)	**23**	34
Taxation	**(24)**	(64)
Underlying earnings	**191**	184

10. Dividends

	2018	2017
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2017 of 11.25p per share	**63**	-
Interim dividend for the year ended 31 December 2018 of 5.6p per share	**31**	-
Second interim dividend for the year ended 31 December 2016 of 11.25p per share	**-**	27
Interim dividend for the year ended 31 December 2017 of 5.6p per share	**-**	31
	94	58

In respect of the current year, the Directors propose a final dividend of 11.25p per share amounting to £63m which will be paid on 21 May 2019 to all shareholders that are on the Register of Members on 5 April 2019. This dividend has not been included as a liability in these Financial Statements.

The Trustees of the TP ICAP plc Employee Benefit Trust (formerly the Tullett Prebon plc Employee Benefit Trust 2007) have waived their rights to dividends.

11. Intangible assets arising on consolidation

	Goodwill	Other	Total
2018	**£m**	**£m**	**£m**
At 1 January	**1,052**	**590**	**1,642**
Recognised on acquisitions	**31**	**2**	**33**
Remeasurement period adjustments	**(2)**	**2**	**-**
Amortisation of acquisition related intangibles	**-**	**(40)**	**(40)**
Impairment of acquisition related intangibles	**(65)**	**-**	**(65)**
Effect of movements in exchange rates	**14**	**10**	**24**
At 31 December	**1,030**	**564**	**1,594**
2017			
At 1 January	1,066	646	1,712
Recognised on acquisitions	21	3	24
Amortisation of acquisition related intangibles	-	(40)	(40)
Effect of movements in exchange rates	(35)	(19)	(54)
At 31 December	1,052	590	1,642

Other intangible assets at 31 December 2018 represent customer relationships, £543m (2017: £561m), business brands and trademarks, £16m (2017: £21m), and other intangibles, £5m (2017: £8m) that arise through business combinations. Customer relationships are being amortised between 10 and 20 years.

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

	2018	2017
	£m	£m
EMEA	**654**	644
Americas	**281**	284
Asia Pacific	**95**	103
Goodwill allocated to CGUs	**1,030**	1,031
Unallocated goodwill	**-**	21
	1,030	1,052

The allocation of goodwill arising on the acquisition of COEX has been completed during 2018. This has been allocated to the regional operating segments that are expected to benefit from the synergies of the combination.

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

CGUs, to which goodwill has been allocated, are tested for impairment at least annually. During the year the Group undertook

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

The key assumptions for the VIU calculations are those regarding expected cash flows arising in future periods, regional growth rates and the discount rates. Future projections are based on the most recent financial projections considered by the Board which are used to project pre-tax cash flows for the next five years. After this period a steady state cash flow is used to derive a terminal value for the CGU.

As at 30 June 2018 the recoverable amount for each CGU was based on their VIU. Growth rates on underlying revenue, equating to a 1% compound annual growth rate over the five year projected period, were used for all CGUs, with pre-tax discount rates of 13.4% for EMEA, 16.7% for Americas and 14.8% for Asia Pacific. As a result, the recoverable amount for the Americas CGU was estimated to be lower than its carrying value by £58m and was impaired by this amount. At that time both the Americas and Asia Pacific CGUs were sensitive to reasonably possible changes in the VIU assumptions.

As at 31 December 2018 the recoverable amount for each CGU was based on their VIU. Growth rates on underlying revenue, equating to a 1.2% compound annual growth rate over the five year projected period, were used for all CGUs, with pre-tax discount rates of 12.7% for EMEA, 15.5% for Americas and 14.1% for Asia Pacific. As a result, the recoverable amount for the Asia Pacific CGU was estimated to be lower than its carrying value by £7m and has been impaired by this amount.

As at 31 December 2017 the recoverable amounts for each CGU were 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 Income Approach are those regarding expected cash flows arising in future periods, regional growth rates and the discount rates. Future projections were based on financial budgets considered by the Board which were used to project cash flows for the next seven years. After this period a steady state cash flow was used to derive a terminal value for the CGU. Annual growth rates of 1.5% were used for all CGUs with discount rates of 11% for EMEA, 12% for Americas and 13.5% for Asia Pacific. Under this valuation approach each CGU had a FVLCD in excess of its carrying value. Under this approach Americas and Asia Pacific were sensitive to reasonably possible changes in assumptions.

As at 31 December 2018 both the Americas and Asia Pacific CGUs are sensitive to reasonably possible changes in the VIU assumptions. The recoverable amount for Americas exceeded its carrying value by £79m which reduces to £nil if, over the projected period, compound annual growth rates fall to nil%, or if the discount rate is increased to 18%. Further impairment of the Asia Pacific CGU would be required if there are changes in the applicable assumptions. A reduction in the compound growth rate over the period by 0.3% would increase the impairment charge by £10m and a 1% increase in the discount rate would increase the charge by £11m. The impact on future cash flows resulting from falling growth rates does not reflect any management actions that would be taken under such circumstances.

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

	2018 £m	2017 £m
Operating profit	**93**	102
Adjustments for:		
- Share-based payment charge	**5**	10
- Pension scheme's administration costs	**1**	1
- Depreciation of property, plant and equipment	**13**	12
- Amortisation of intangible assets	**26**	29
- Acquisition related share-based payment charge	**-**	9
- Amortisation of intangible assets arising on consolidation	**40**	40
- Impairment of intangible assets arising on consolidation	**65**	-
- Loss on derecognition of intangible assets	**-**	1
- Loss on disposal of associates	**1**	-
- Impairment of associates	**3**	-
- Remeasurement of deferred consideration	**5**	(1)
- Gain on disposal of available-for-sale investments	**-**	(1)
- Non-cash movement in FVTPL balances	**-**	(1)
Operating cash flows before movement in working capital	**252**	201
Increase in trade and other receivables	**(37)**	(48)
Increase in net settlement and trading balances	**(14)**	(6)
Increase/(decrease) in trade and other payables	**1**	(40)
(Decrease)/increase in provisions	**(1)**	18
Increase in non-current liabilities	**13**	11
Retirement benefit scheme contributions	**(1)**	-
Cash generated from operations	**213**	136
Income taxes paid	**(30)**	(27)
Interest paid	**(34)**	(22)
Net cash from operating activities	**149**	87

13. Analysis of net funds

2018	At 1 January £m	Cash flow £m	Non-cash items £m	Exchange rate movements £m	At 31 December £m
Cash	**609**	**43**	**(1)**	**19**	**670**
Cash equivalents	**13**	**(3)**	**-**	**-**	**10**
Overdrafts	**-**	**(13)**	**-**	**-**	**(13)**
Cash and cash equivalents	**622**	**27**	**(1)**	**19**	**667**
Financial investments	**139**	**(4)**	**-**	**(2)**	**133**
Total funds	**761**	**23**	**(1)**	**17**	**800**
Bank loan due within one year	**-**	**(52)**	**-**	**-**	**(52)**
Sterling Notes June 2019	**(80)**	**4**	**(4)**	**-**	**(80)**
Sterling Notes January 2024	**(509)**	**26**	**(27)**	**-**	**(510)**
Total debt	**(589)**	**(22)**	**(31)**	**-**	**(642)**
Total net funds	**172**	**1**	**(32)**	**17**	**158**
2017					
Cash	657	(21)	-	(27)	609
Cash equivalents	41	(27)	-	(1)	13
Overdrafts	(2)	2	-	-	-
Cash and cash equivalents	696	(46)	-	(28)	622
Financial investments	90	54	-	(5)	139
Total funds	786	8	-	(33)	761
Bank loan due within one year	(467)	470	(3)	-	-
Sterling Notes June 2019	(80)	4	(4)	-	(80)
Sterling Notes January 2024	-	(497)	(12)	-	(509)
Total debt	(547)	(23)	(19)	-	(589)
Total net funds	239	(15)	(19)	(33)	172

Cash and cash equivalents comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less. As at 31 December 2018 cash and cash equivalents, net of overdrafts, amounted to £667m (2017: £622m). Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

Financial investments comprise short term government securities, term deposits and restricted funds held with banks and clearing organisations.

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

14. Provisions

2018	Property £m	Re-structuring £m	Legal and other £m	Total £m
At 1 January	**5**	**27**	**29**	**61**
Charge to income statement	**11**	**10**	**7**	**28**
Utilisation of provisions	**(2)**	**(27)**	**-**	**(29)**
Effect of movements in exchange rates	**-**	**-**	**1**	**1**
At 31 December	**14**	**10**	**37**	**61**
2017				
At 1 January	9	5	29	43
(Release)/charge to income statement	(2)	32	1	31
Utilisation of provisions	(2)	(10)	(1)	(13)
Effect of movements in exchange rates	-	-	-	-
At 31 December	5	27	29	61

Property provisions outstanding as at 31 December 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 16 years.

Restructuring provisions outstanding as at 31 December 2018 relate to termination and other employee related costs. The movement during the year reflects the actions taken under the Group's integration of ICAP and other business reorganisations. It is expected that the remaining obligations will be discharged during 2019.

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 Group's acquisition of the ICAP global broking business, 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 for in respect of this matter has been reduced from £13m (€15m) to £9m (€10m) reflecting the Group's current estimate of the liability.

In June 2018, the Group recorded an exceptional legal provision in the amount of £8m (US$10m) in connection with an ongoing regulatory investigation into its subsidiary, Tullett Prebon Americas Corp. ('TPAC'), relating to alleged broker conduct on the TPAC USD Medium Term Interest Rate Swaps desk between 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 Group'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.

15. 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 undertaken its own review of the Group's previous systems and controls in relation to client 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 Group, ICAP plc, ICAP Australia Pty LTD and Tullett Prebon (Australia) Pty. Limited as defendants together with various Bank Bill Swap Reference Rate ('BBSW') setting banks. The complaint alleges collusion by the defendants to fix BBSW-based derivatives prices through manipulative trading during the fixing window and false BBSW rate submissions. On 26 November 2018, the Court dismissed all of the claims against the TP ICAP defendants and certain other defendants. On 15 January 2019, Plaintiffs filed a Motion for Leave to Amend and File the Proposed Second Amended Class Action Complaint ('PSAC'). The Motion does not seek leave to amend with respect to the TP ICAP defendants and the PSAC does not contain any new allegations regarding the TP ICAP defendants. The Plaintiffs have reserved the right to appeal the dismissal of the TP ICAP defendants but have not as yet done so. It is not possible to predict the ultimate outcome of the litigation or to provide an estimate of any potential financial impact.

Labour claims - ICAP Brazil

ICAP do Brasil Corretora De Títulos e Varoles Mobiliários Ltda ('ICAP Brazil') is a defendant in 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 67m (£14m). The Group is the beneficiary of an indemnity from NEX in relation to any outflow in respect of materially all of these Labour claims insofar as they relate to periods prior to completion of the Group's acquisition of ICAP.

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 222m (£45m). The Group intends to vigorously defend itself but there is no certainty as to the outcome of these claims. The case is currently in an early evidentiary phase 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 2019.

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 cooperate 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. Pursuant to the terms of the sale and purchase agreement between the Group and NEX it was agreed that ICM would transfer its activities and business to the Group but that ICM would not be transferred to the Group'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. In September 2018, ICM entered into a settlement with the CFTC and agreed to pay a penalty of $50m. At this time we do not expect the CFTC or other government agencies to pursue further action against the Group in respect of the ISDA fix matter.

LIBOR Class actions

The Group is currently defending two LIBOR related actions.

(i) Stichting LIBOR Class Action

On 15 December 2017, the Stichting Elco Foundation, a Netherlands-based claim foundation, filed a writ initiating litigation in the Dutch court in Amsterdam on behalf of institutional investors against ICAP Europe Limited ('IEL'), ICAP plc, Cooperative Rabobank U.A., UBS AG, UBS Securities Japan Co. Ltd, Lloyds Banking Group plc, and Lloyds Bank plc. The litigation alleges manipulation by the defendants of the JPY LIBOR, GBP LIBOR, CHF LIBOR, USD LIBOR, EURIBOR, TIBOR, SOR, BBSW and HIBOR benchmark rates, and seeks a declaratory judgment that the defendants acted unlawfully and conspired to engage in improper manipulation of benchmarks. If the plaintiffs succeed in the action, the defendants would be responsible for paying costs of the litigation, but each allegedly impacted investor would need to prove its own actual damages. It is not possible at this time to determine the final outcome of this litigation, but IEL has factual and legal defences to the claims and intends to defend the lawsuit vigorously. A hearing is scheduled for June 2019. 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 Group'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 Group's reputation may also be damaged by any involvement or the involvement of any of its employees or former employees in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material.

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

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

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.

OTHER INFORMATION

The Annual General Meeting of TP ICAP plc will be held at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD on 15 May 2019 at 12.45pm.

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

As the independent auditor of TP ICAP plc we are required by UK Listing Rule LR 9.7A.1(2)R to agree to the publication of TP ICAP plc's preliminary announcement statement of annual results for the year ended 31 December 2018.

The preliminary statement of annual results for the year ended 31 December 2018 includes operational performance, strategic highlights, financial highlights, the dividend statement, the CEO review, financial review, the consolidated financial statements and disclosures required by the Listing Rules. We are not required to agree to the publication of presentations to analysts.

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

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

Status of our audit of the financial statements

Our audit of the annual financial statements of TP ICAP plc is complete and we signed our auditor's report on 19 March 2019.
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Our auditor's report is not modified and contains no emphasis of matter paragraph.

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

Name Passing revenue	
Key audit matter description	Name Passing revenue is earned for the service of matching buyers and sellers of financial instruments. The Group is not a counterparty to the trade and commissions are invoiced for the service provided by the Group. It accounts for the majority of the Group's revenue of £1,763m. As invoices for services provided are not issued until the end of each month, the cash collection period is typically longer than for Matched Principal revenue. The risk of misstatement of revenue due to fraud or error increases where the invoice becomes past due or where post year-end trade adjustments or credit notes arise.
How the scope of our audit responded to the key audit matter	We assessed the design and implementation of relevant controls relating to Name Passing invoicing and cash collection and elected to test the operating effectiveness of controls in certain jurisdictions. We confirmed a sample of trades to cash received throughout the year. We agreed a further sample of Name Passing transactions, which were outstanding at year-end, to cash received post year-end. We tested the aged debtor analysis through re-performance and, focusing on higher risk aged items, we confirmed that revenue recognised on each transaction was supportable by obtaining evidence to corroborate the validity of the underlying trade and reviewing communications with counterparties. We tested a sample of post year-end trade adjustments and credit notes to evaluate whether these items were accurate and valid. We reviewed the recognition of Name Passing revenue to assess whether it was in line with the Group's accounting policy.
Key observations	During 2018 the Group continued to implement improvements in controls over trade amendments. As the improved controls did not operate for all broking desks, we performed additional substantive testing of trade amendments. No issues were identified from this testing. No issues were identified through our detailed testing of cash receipts and aged debtors. We determined the recognition of Name Passing revenue to be appropriate and in line with the Group's accounting policy.

Impairment of goodwill and other intangibles Refer to Note 11 intangible assets arising on consolidation	
Key audit matter description	As required by IAS 36, goodwill and other intangible assets are reviewed for impairment at least annually. Determining whether the goodwill of £1,030m, other intangible assets arising on consolidation of £564m and other intangible assets of £69m are impaired requires an estimation of the recoverable amount of the Group's cash generating units ('CGUs'), using the higher of the value in use or fair value less costs to sell. The value in use approach was used to assess the recoverable amount of all CGUs. The value in use approach involves discounting expected future cash flows and hence requires the selection of suitable discount rates and forecast future growth rates. It is therefore inherently subjective with an increased risk of material misstatement due to error or fraud. The value in use of each CGU can be sensitive to changes in underlying assumptions. We focused our testing on the CGUs where we identified increased sensitivity to the growth rate and discount rate assumptions. An impairment of £58m was recorded in the year for the Americas CGU and an impairment of £7m was recorded in the year for the Asia Pacific CGU.
How the scope of our audit responded to the key audit matter	We performed detailed analysis of the Group's assumptions used in the annual impairment review, in particular forecast future growth rates, the cash flow projections and discount rates used by the Group in its impairment tests of the CGUs. We challenged cash flow forecasts and growth rates by evaluating recent performance, trend analysis and comparing growth rates to those achieved historically and to external market data where available. Our internal valuations specialists independently derived discount rates which we compared to the rates used by the Group and we benchmarked discount rates to available external peer group data. We re-performed the Group's assessment of whether the impairment tests were

	sensitive to reasonably possible changes in assumptions and cash flows to determine whether the Group's disclosures of sensitivities in the financial statements were sufficient and appropriate.
Key observations	We concluded that the Directors' impairment test and the recognition of an impairment charge in respect of the Americas and Asia Pacific CGUs was appropriate. The cash flow forecasts used in the annual impairment review were consistent with the most recent financial budgets approved by the Board and were reasonable in the context of recent business performance. We considered the potential impact of Brexit on cash flow forecasts and do not consider there to be a significant risk of material adjustment to the carrying value of the EMEA CGU in the next financial year as a result. The growth rates used by management are reasonable. We considered the disclosures made by the Directors were appropriate, that when using a value in use approach, a reasonably possible change in the growth rate and discount rate assumptions for the Asia Pacific and Americas CGUs would result in the carrying value of these CGUs exceeding their recoverable amount.

Presentation and disclosure of integration related items Refer to Note 5 acquisition, disposal and integration costs and Exceptional items	
Key audit matter description	The Group reports profit before 'acquisition, disposal and integration related items' of £160m before taxation of which £44m related to integration. There is a risk that items that reflect the underlying performance of the Group are incorrectly presented as integration related items. In addition, there is a risk that undue prominence is given to underlying results compared to the statutory results of the Group.
How the scope of our audit responded to the key audit matter	We assessed the design and implementation of relevant controls relating to the classification of items as integration related. For a sample of items we obtained supporting evidence to assess whether the items relate to integration or should be presented as part of the Group's underlying results. We challenged the prominence given to underlying results relative to the Group's statutory results and whether the presentation was misleading. We read the description of the basis of underlying results and whether it was consistently applied. We also tested the completeness and accuracy of the reconciliation between underlying and statutory results.
Key observations	We identified no items within integration related items that should be presented in underlying results or that did not meet the Group's definition of integration related items. We considered that the presentation of the Group's underlying results is appropriately explained, is understandable and that the reconciliation to the Group's statutory results is complete and accurate. We considered that appropriate prominence has been given to the statutory results.

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

Procedures performed to agree to the preliminary announcement of annual results

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

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

(b) considered whether the information (including the management commentary) is consistent with other expected contents of the annual report;

(c) considered whether the financial information in the preliminary announcement is misstated;

(d) considered whether the preliminary announcement includes a statement by directors as required by section 435 of CA 2006 and whether the preliminary announcement includes the minimum information required by UKLA Listing Rule 9.7A.1;

(e) where the preliminary announcement includes alternative performance measures ("APMs"), considered whether appropriate prominence is given to statutory financial information and whether:

- the use, relevance and reliability of APMs has been explained;
- the APMs used have been clearly defined, and have been given meaningful labels reflecting their content and basis of calculation;
- the APMs have been reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period; and
- comparatives have been included, and where the basis of calculation has changed over time this is explained.

(f) read the management commentary, any other narrative disclosures and any final interim period figures and considered

whether they are fair, balanced and understandable.

Use of our report

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

Robert Topley FCA
(Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
19 March 2019

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