tullett prebon

Interim Report 2007

Group Overview

Tullett Prebon is the world's second largest interdealer broker, and acts as an intermediary in the wholesale financial markets, facilitating the trading activities of its clients, in particular commercial and investment banks, hedge funds and buy-side institutions.

The business covers five major product groups: Fixed Income Securities and their derivatives, Interest Rate Derivatives, Treasury Products, Equities and Energy. The business brokes the products on either a 'name give up' basis (where all counterparties to a transaction settle directly with each other) or a 'matched principal' basis (where Tullett Prebon is the counterparty to each leg of a transaction).

Traditionally liquidity pools are managed by voice brokers supported by proprietary screens which display historical data, analytics and real time prices. In addition, our electronic trading platform, TradeBlade™, gives clients access to electronic execution coupled with straight-through processing for electronic transactions.

Tullett Prebon also has an established data sales business which collects, cleanses, collates and distributes real-time information to data providers.

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www.tullettprebon.com

Tullett Prebon plc
Registered in England no: 5807599
Registered office: Cable House, 54-62 New Broad Street, London EC2M 1ST

Highlights

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– Strong revenue and profit growth in H1 2007

– Chapdelaine successfully integrated

– Return of £301.5m of capital to shareholders made in March 2007

– Significant investment commitment to broker hires

£371.6m

Revenue – growth* of 12% at constant exchange rates

£64.8m

Operating profit – growth* of 8% at constant exchange rates

4.0p

Interim dividend for 2007

17.2p

Adjusted** EPS (2006: 16.9p)

* calculated by translating the first half 2006 results of overseas operations at the average exchange rates used for the first half of 2007

** excluding non cash gains and losses in net finance income/(expense) and prior year tax items

Chairman's statement

"This is the first set of results for Tullett Prebon since the demerger of the Collins Stewart stockbroking business in December 2006, which allowed us to make the capital repayment to shareholders of £301.5m in March 2007."

+8%

Operating profit growth*
at constant exchange rates

+12%

Revenue growth*
at constant exchange rates

* calculated by translating the first half 2006 results of overseas operations at the average exchange rates used for the first half of 2007

In the years 2005 and 2006, following the acquisition of Prebon, the interdealer broker business focused on doubling operating margins and delivering strong cash flows.

Following these achievements our objectives for the next few years are to grow revenue and to develop our electronic trading platform. In January 2007 the acquisition of Chapdelaine was completed, which has strengthened the business in North America. A number of steps have been taken during the first half in pursuit of the objectives.

We have signed a number of new brokers both to extend our product coverage and to support existing products. We have been particularly active in building our presence in the fast growing area of credit, with key hires in Europe, North America and Asia Pacific. We have launched two new products on the TradeBlade™ platform, and we have hired a new, highly experienced team to lead our electronic broking initiative into the next stage of its development. We are pursuing further opportunities to strengthen the business in this period of continuing change in its markets.

The benefits of the further investments we have made will only start to show in the second half and into 2008. Nevertheless, revenue growth expressed at constant exchange rates was 12% in the first half, with revenue of £371.6m reflecting good underlying progress in most areas of the business and the boost from the acquisition of Chapdelaine. On the same basis, operating profit has increased by 8%, to £64.8m. As expected, operating margins in the first half have been diluted by the continuing net investment in the development of TradeBlade™.

As a result of the return of capital to shareholders, the Group's capital structure is significantly different from a year ago, and net financing costs are not comparable year-on-year. Profit before tax for the first six months was £57.1m, with adjusted earnings per share for the first half of 17.2p. An interim dividend of 4p will be paid on 6 December 2007 to shareholders on the register at 16 November 2007.

The Board is confident that the strategy being followed will continue the development of the business and create value.

Keith Hamill
Chairman
10 September 2007

Operating and Financial Review

Action has been taken during the first half to accelerate the rate of revenue growth.

We have been successful in recruiting new brokers to join the business in all three geographic regions, which will enhance and broaden our product coverage and deepen liquidity pools. We have focused particularly on the newer and more rapidly growing markets such as Credit, Volatility and Emerging Markets. As there is a delay between hiring and the brokers starting with the business, the impact on revenue will start to show in the second half and into 2008. The new staff are expected to deliver annualised revenues of some £60m compared with investment of less than £20m.

The integration of Chapdelaine has been successfully completed. Our activities in North America have benefited from the increased scale and depth of liquidity that Chapdelaine provides in corporate bonds and credit derivatives in particular.

We have continued to develop our electronic trading platform, TradeBlade™. In May we added an FX Options capability to the platform and in August launched Mortgage-Backed Securities, taking the number of product areas supported by the technology to five. Our clients continue to support our drive to establish a credible presence in electronic broking. A new team from ABN Amro with extensive experience in the development of electronic trading capability, led by Paul Humphrey, will start with the business in October to lead this initiative in the next stage of its development.

The results for continuing operations for the first half of 2007 together with those for the comparative period in 2006 and the year ended 31 December 2006 are summarised below.

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 (audited) £m
Revenue	**371.6**	348.0	654.1
Operating profit	**64.8**	62.5	114.8
Net interest	**(6.1)**	(2.5)	(4.0)
Non-cash accounting items	**(1.6)**	8.1	14.2
Finance income/(expense)	**(7.7)**	5.6	10.2
Profit before tax	**57.1**	68.1	125.0
Earnings per share			
– Adjusted basic	**17.2p**	16.9p	31.6p
– Basic	**16.1p**	22.0p	39.7p

Operating and Financial Review continued

Revenue and Operating Profit

The tables below analyse revenue and operating profit for the continuing operations for the first half of 2007 compared with the equivalent period in 2006. A significant proportion of the Group's activity is conducted outside the UK and the reported results are therefore impacted by the movement in the foreign exchange rates used to translate the results of overseas operations. In order to give a more meaningful analysis of performance, the results for 2006 shown below are stated using translation exchange rates consistent with those used in 2007, with revenue and operating profit growth rates calculated on the same basis.

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Change
Revenue by product group			
Treasury Products	**96.5**	98.5	-2%
Interest Rate Derivatives	**89.8**	84.1	+7%
Fixed Income	**109.3**	91.2	+20%
Equities	**36.8**	23.6	+56%
Energy	**32.1**	28.2	+14%
Information Sales	**7.1**	6.4	+11%
At constant exchange rates	**371.6**	332.0	+12%
Translation	**–**	16.0	
Reported	**371.6**	348.0	+7%

Levels of activity were variable during the first half with periods of relatively subdued trading interspersed with periods of high volatility.

Performance in Treasury Products overall has been held back by a slowdown in the non-banking cash market in Europe and flat money market activity in North America.

Interest Rate Derivatives have benefited from the recent volatility in interest rates and the continuing investment and growth in emerging economies.

The growth in Fixed Income includes the impact of Chapdelaine which was acquired in January and which has considerably strengthened our North America credit activities. The Fixed Income desks of Chapdelaine have been fully integrated into our existing business and hence it is not possible to isolate the specific impact of the acquisition. The government and agency Fixed Income market in North America was challenging, and Fixed Income revenues in Europe were flat.

Our Equities businesses continue to perform strongly, with a high level of activity in equity derivatives in all three regions resulting from sustained volatility in equity markets during the first half. The inclusion of the separate Chapdelaine cash equities desk further boosts the growth rate.

Our Energy operations continue to grow strongly, and we are well positioned to benefit from the ongoing volatility in Energy markets and growth in the use of derivatives.

We continue to develop our Information Sales activities with geographical expansion and extension of the customer base.

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Change
Revenue by region			
Europe	**184.4**	179.6	+3%
North America	**151.5**	120.8	+25%
Asia Pacific	**35.7**	31.6	+13%
At constant exchange rates	**371.6**	332.0	+12%
Translation	–	16.0	
Reported	**371.6**	348.0	+7%

Revenues in Europe increased by 3% with strong growth in volatility products and Energy offset by a more mixed performance in other product areas. A relatively subdued trading environment in Treasury Products and Interest Rate Derivatives for much of the first half has dampened the overall rate of growth, although activity in both these areas picked up significantly in June as a result of increased interest rate and foreign exchange rate volatility. We were not well placed to take advantage of the rapid growth in the credit derivatives market. In order to address this we have undertaken a major restructuring of our credit activities, and have recently hired brokers who are market leaders in this area. This will give us a significant presence in credit and credit default swaps ('CDS') in London, supporting our growing activities in structured CDS. The Energy markets continue to be attractive and we have demonstrated our commitment to offering comprehensive coverage by expanding our activities with the addition of coal, emissions products and nuclear fuel derivatives. Equity market volatility has resulted in very active equity derivatives markets in the first half and, together with new hires in this area has driven significant growth in Equities, despite our withdrawal from equity financing at the end of the first half last year.

Revenues in North America increased by 25%, benefiting from the successful and rapid integration of the business of Chapdelaine, together with strong performances in most areas of activity. Good growth in Treasury Products reflects increased volumes in FX driven by the continued global investment in the emerging economies of Latin America and Eastern Europe, and the ongoing volatility in these areas. Interest Rate Derivative volumes have also benefited from the investment and growth in these emerging economies, complementing the strong growth from our leading position in US dollar swaps. Within Fixed Income, our largest product group in North America, revenue from US Treasuries, repos, agencies and mortgage products was lower than a year ago. Market conditions in credit (corporate bonds and CDS) were more favourable with strong volumes. Our equity arbitrage and equity derivatives activities have grown very strongly, benefiting from significant volatility in equity markets, with revenue further boosted by the inclusion of the cash equities business of Chapdelaine. The strongest part of our Energy activities in North America is in the electricity market and we have continued to benefit from the ongoing growth in this area.

Operating and Financial Review continued

Revenues in Asia Pacific increased by 13% reflecting our strong position in a buoyant market. We have maintained our leadership position in our key product areas in the major centres in the region and achieved revenue growth of over 20% across Singapore, Hong Kong and our joint venture in Tokyo, which together account for over 75% of regional revenue. We have seen particularly strong growth in non-deliverable forwards, FX options, interest rate options and equity derivatives, and our strength in these and other areas is facilitating new broker hires to allow us to continue to expand. Our pioneering joint venture in Shanghai has made good progress, with revenues increasing as more banks recognise the value of our services. Our wholly owned business in Korea continues to progress. There are considerable opportunities for us to develop and broaden our business in Asia. A newly hired Credit team based in Singapore will start during the second half, and we continue to evaluate opportunities to expand our product coverage.

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m	Change
Operating profit			
Europe	**40.0**	36.4	+10%
North America	**20.9**	20.9	–
Asia Pacific	**3.9**	2.5	+56%
At constant exchange rates	**64.8**	59.8	+8%
Translation	**–**	2.7	
Reported	**64.8**	62.5	+4%

	Six months ended 30 June 2007	Six months ended 30 June 2006
Operating margin		
Europe	**21.7%**	20.3%
North America	**13.8%**	17.3%
Asia Pacific	**10.9%**	8.0%
	17.4%	18.0%

Operating profit is 8% higher than in the first half of 2006, with operating margin at 17.4%, 0.6% points lower than in the first half of 2006. The reduction in operating margin masks an underlying improvement in voice broking margin which is offset by the impact of the gross investment of £6.7m (2006 H1: £1.5m) in TradeBlade™.

Operating profit in Europe increased by 10% as margins increased by 1.4% points to 21.7%. The improvement in margin in Europe primarily reflects the reduction in support costs compared to the same period last year. Operating profit in North America was unchanged in the first half compared to a year ago with the benefit of increased revenue and the acquisition of Chapdelaine offset by the increased net investment in TradeBlade™. This is also the primary driver for the 3.5% point reduction in margin in the region. Operating profit in Asia Pacific increased by 56% as a result of the growth in revenue and the 2.9% point increase in margin to 10.9%. The improvement in margins in Asia Pacific reflects the benefit of increased scale and a reduction in the ratio of broker employment costs to revenue.

Broker headcount at the end of June was 1,587 (31 December 2006: 1,512). The main driver of the increase during the period was the acquisition of Chapdelaine. Average revenue per broker for the first six months of the year increased by 10% in constant currency compared to the same period last year. Broker compensation to revenue for the period reduced to 56.4% (2006: 57.7%).

Finance Income/(Expense)

Finance income/(expense) includes non-cash amounts relating to the mark to market of derivative financial instruments, amortisation of discounted deferred consideration, and expected return and interest on pension scheme assets and liabilities. Excluding these items the net finance charge in the first half of 2007 was £6.1m (2006: £2.5m). The increase reflects the interest payable and fees amortisation on the facilities entered into to finance the return of capital, partly offset by increased interest receivable due to higher interest rates and a one-off interest receipt on reclaimed tax.

Taxation

The underlying effective rate of tax, excluding prior year tax items and after adjusting for non-cash items within finance income/(expense), is 38% (2006: 40%).

The effective rate is higher than the standard UK rate of 30% reflecting the profits earned in the US, where the statutory rate is 46%, and the extent of disallowable items. The reduction in the effective rate compared with 2006 results primarily from the benefit of a restructuring of intra-group financing arrangements.

Adjusted EPS

The adjusted basic EPS calculation excludes the non-cash amounts in finance income/(expense) and their related tax, and also prior year tax items. The calculation is shown in note 7.

Operating and Financial Review continued

Litigation

In July 2007, BGC agreed to settle Tullett Prebon's claims against them in the Singapore litigation, on terms which are confidential.

Cash Flow

The net cash flow is summarised in the table below. The figures for the six months to June 2006 are for the continuing operations only, and are therefore comparable to those for the first half of 2007.

Consistent with the normal pattern of working capital movements, operating cash flow for the first half of £42.1m is lower than operating profit. In line with activity levels, working capital balances, particularly 'name give up' receivables and settlement balances, are at their lowest point at the end of each year and are significantly higher at the end of each half year. The working capital outflow in the first half is therefore expected to substantially reverse in the second half. Interest is a net cash inflow despite the cash interest profit and loss charge because the first interest payment on the new £300m bank facility will be made in September and interest on the Eurobond is payable annually in August. The dividend payment reflects the 6p per share final dividend for 2006 paid in June. Acquisition expenditure represents the $57m initial payment for Chapdelaine plus associated transaction costs.

	Six months ended 30 June 2007 £m	Six months ended 30 June 2006 £m
Operating profit	**64.8**	62.5
Share option plan charges	**2.1**	2.8
Depreciation and amortisation	**3.7**	3.9
EBITDA	**70.6**	69.2
Capital expenditure (net)	**(2.7)**	(2.7)
Working capital	**(25.8)**	(32.2)
Operating cash flow	**42.1**	34.3
Interest	**2.9**	1.2
Taxation	**(17.0)**	(10.0)
Pension funding	**(1.4)**	(1.0)
Share option cash flows	**0.4**	(1.3)
Transaction costs	**(1.0)**	–
Dividends paid	**(12.7)**	(23.2)
Dividends paid to minorities	**(0.4)**	–
Acquisition	**(29.7)**	–
Net cash flow	**(16.8)**	–

The Group has moved from a net funds position at December 2006 to a net debt position at the half year reflecting the net cash outflow in the first half and the £301.5m return of capital to shareholders. The return was financed by new bank facilities. The movement in net funds/debt is summarised below.

	£m
Net funds at 31 December 2006	111.2
Net cash flow	(16.8)
Funds acquired with Chapdelaine	3.0
Return of capital to shareholders	(301.5)
Effect of movement in exchange rates	(1.9)
Movements in fair value/amortisation of costs	0.5
Net (debt) at 30 June 2007	(205.5)

Future Developments and Outlook

Outlook

The second half of 2007 has begun with significant volatility in financial markets. Whilst these conditions are detrimental for many financial services businesses, they are ideal for the interdealer broker business. Our business performs well during such periods, and we have seen record performances across all three regions in July and August. The short-term outlook for financial markets is characterised by uncertainty but we are well placed to benefit from these conditions.

The development of our electronic broking capability is a key element in meeting our clients' needs, and we will continue to invest in this area. We also continue to actively pursue acquisition opportunities, both in established and emerging markets, and will seek to make new hires in those product areas which we believe have the best potential for future revenue growth.

The outlook for Tullett Prebon is positive and we believe that the actions being taken to develop the business will create future value for shareholders.

Terry Smith
Chief Executive
10 September 2007

Consolidated Income Statement

for the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 £m
Revenue	3	**371.6**	348.0	654.1
Other operating income		**2.9**	7.2	17.5
Administrative expenses		**(309.7)**	(292.7)	(556.8)
Operating profit	3	**64.8**	62.5	114.8
Finance income	4	**10.1**	15.4	30.4
Finance costs	5	**(17.8)**	(9.8)	(20.2)
Profit before tax		**57.1**	68.1	125.0
Taxation	6	**(22.9)**	(21.6)	(41.0)
Profit of consolidated companies		**34.2**	46.5	84.0
Share of results of associates		**0.2**	–	–
Profit for the period from continuing operations		**34.4**	46.5	84.0
Profit for the period from discontinued operations	3	**–**	22.0	44.3
Profit for the period		**34.4**	68.5	128.3
Attributable to:				
Equity holders of the parent		**34.1**	68.1	127.6
Minority interests		**0.3**	0.4	0.7
		34.4	68.5	128.3
Earnings per share				
From continuing operations				
Adjusted basic	7	**17.2p**	16.9p	31.6p
Basic	7	**16.1p**	22.0p	39.7p
Diluted	7	**15.9p**	21.7p	38.9p

Consolidated Statement of Recognised Income and Expense

for the six months ended 30 June 2007

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 £m
Gain on revaluation of available for sale assets	**0.1**	–	–
Gain on net investment hedge	**1.4**	4.9	8.4
Effect of changes in exchange rates on translation of foreign operations	**(2.1)**	(8.3)	(14.3)
Actuarial gains on defined benefit pension schemes	**19.3**	8.0	8.0
Taxation on items taken directly to equity – continuing operations	**(4.3)**	2.1	4.7
Taxation on items taken directly to equity – discontinued operations	**–**	2.6	4.5
Net income recognised directly in equity	**14.4**	9.3	11.3
Profit for the period from continuing operations	**34.4**	46.5	84.0
Profit for the period from discontinued operations	**–**	22.0	44.3
Total recognised income and expense for the period	**48.8**	77.8	139.6
Attributable to:			
Equity holders of the parent	**48.5**	77.4	138.9
Minority interest	**0.3**	0.4	0.7
	48.8	77.8	139.6

Consolidated Balance Sheet

as at 30 June 2007

tullett prebon

	30 June 2007 (unaudited) £m	30 June 2006 (unaudited) (restated) £m	31 December 2006 £m
Non-current assets			
Goodwill	**356.3**	428.4	311.7
Other intangible assets	**2.3**	2.9	1.5
Property, plant and equipment	**17.0**	22.1	18.8
Interest in associates	**2.8**	2.7	2.6
Other financial assets	**2.7**	6.6	2.7
Deferred tax assets	**15.3**	30.9	28.2
Derivative financial instruments	**9.0**	5.5	5.8
	405.4	499.1	371.3
Current assets			
Trade and other receivables	**25,147.0**	19,529.9	12,627.0
Other financial assets	**27.8**	55.7	27.0
Cash and cash equivalents	**216.5**	265.6	236.4
Derivative financial instruments	**3.1**	13.1	9.8
	25,394.4	19,864.3	12,900.2
Total assets	**25,799.8**	20,363.4	13,271.5
Current liabilities			
Trade and other payables	**(25,179.9)**	(19,505.6)	(12,667.2)
Other financial liabilities	**–**	(4.5)	–
Interest bearing loans and borrowings	**(31.3)**	(11.7)	(0.9)
Current tax liabilities	**(24.9)**	(48.9)	(31.4)
	(25,236.1)	(19,570.7)	(12,699.5)
Net current assets	**158.3**	293.6	200.7
Non-current liabilities			
Interest bearing loans and borrowings	**(418.5)**	(152.1)	(151.3)
Retirement benefit obligations	**(5.1)**	(27.7)	(26.2)
Deferred tax liabilities	**(1.1)**	(0.6)	(1.3)
Long-term provisions	**(10.9)**	(8.2)	(7.8)
Other long-term payables	**(14.6)**	(2.5)	(3.1)
	(450.2)	(191.1)	(189.7)
Total liabilities	**(25,686.3)**	(19,761.8)	(12,889.2)
Net assets	**113.5**	601.6	382.3
Equity			
Share capital	**53.1**	53.1	690.1
Share premium account	**–**	250.9	–
Reverse acquisition reserve	**(1,182.3)**	–	(1,182.3)
Other reserves	**110.4**	118.4	100.7
Retained earnings	**1,130.7**	176.8	772.1
Equity attributable to equity holders of the parent	**111.9**	599.2	380.6
Minority interest	**1.6**	2.4	1.7
Total equity	**113.5**	601.6	382.3

The financial statements were approved by the Board of directors and authorised for issue on 10 September 2007 and are signed on its behalf by:

Terry Smith
Chief Executive

Consolidated Cash Flow Statement

for the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) (restated) £m	Year ended 31 December 2006 £m
Net cash from operating activities	9	**23.1**	41.3	163.6
Investing activities				
Sale of other financial assets		**0.2**	8.9	12.9
Interest received and similar income		**6.2**	7.0	15.5
Proceeds on disposal of property, plant and equipment		**–**	0.4	2.0
Proceeds on disposal of available for sale assets		**–**	1.4	7.2
Purchase of available for sale assets		**–**	(0.8)	–
Purchase of intangible assets		**(1.5)**	(0.3)	(0.6)
Purchase of property, plant and equipment		**(1.1)**	(2.7)	(5.0)
Acquisition of subsidiaries		**(27.8)**	(4.0)	(4.4)
Derecognised on demerger of Collins Stewart		**–**	–	(122.3)
Net cash (used in)/received from investment activities		**(24.0)**	9.9	(94.7)
Financing activities				
Dividends paid		**(12.7)**	(23.2)	(33.8)
Dividends paid to minority interest		**(0.4)**	–	(0.2)
Return of capital		**(301.5)**	–	–
Exercise of share options		**0.4**	(1.7)	(15.6)
Taxation credit on share option exercises		**–**	–	1.5
Issue of debt		**297.2**	–	–
Demerger and return of capital transaction costs		**(1.0)**	–	(4.5)
Repayment of obligations under finance leases		**(0.3)**	(0.1)	(0.5)
Net cash used in financing activities		**(18.3)**	(25.0)	(53.1)
Net (decrease)/increase in cash and cash equivalents		**(19.2)**	26.2	15.8
Net cash and cash equivalents at the beginning of the period		**236.2**	234.2	234.2
Effect of foreign exchange rate changes		**(1.8)**	(5.5)	(13.8)
Net cash and cash equivalents at the end of the period		**215.2**	254.9	236.2
Cash and cash equivalents		**216.5**	265.6	236.4
Overdrafts		**(1.3)**	(10.7)	(0.2)
Net cash and cash equivalents		**215.2**	254.9	236.2

Notes to the Consolidated Financial Statements

for the six months ended 30 June 2007

1. General information

The interim financial statements for the six months ended 30 June 2007 have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS). The interim information, together with the comparative information contained in this report for the year ended 31 December 2006, does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. However, the information has been reviewed by the Company's auditors, Deloitte & Touche LLP, and their report appears at the end of the interim financial report. The interim financial report is unaudited and was approved by the Board of directors on 10 September 2007.

The statutory accounts for the year ended 31 December 2006 have been reported on by the Company's auditors, Deloitte & Touche LLP, and have been delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Tullett Prebon plc is a company incorporated in Great Britain under the Companies Act 1985.

In the current financial year, the Group will adopt International Financial Reporting Standard 7 'Financial instruments: Disclosures' (IFRS 7) for the first time. As IFRS 7 is a disclosure standard, there is no impact on the interim financial report. Full details of the change will be disclosed in the Annual Report for the year ended 31 December 2007.

The Group has opted for early adoption of IFRIC 11: IFRS2 – Group and Treasury Share Transactions, the effective date being for annual periods beginning on or after 1 March 2007. There is no net impact on the results.

On 19 December 2006, in accordance with a court approved scheme of arrangement under section 425 of the Companies Act 1985, the Collins Stewart stockbroking business was demerged from the Group. Results for Collins Stewart for the six months ended 30 June 2006 and for the year ended 31 December 2006 have been included in the consolidated income statement as discontinued operations. The consolidated balance sheet at 30 June 2006 contains both interdealer broking and stockbroking activities, whilst the 31 December and 30 June 2007 consolidated balance sheets contain interdealer broking activities only. The consolidated cash flow statement for the six months ended 30 June 2006 and for the year ended 31 December 2006 reflects both interdealer broking and stockbroking activities whilst the consolidated cash flow statement for the six months ended 30 June 2007 reflects interdealer broking activities only.

Notes to the Consolidated Financial Statements
continued

2. Significant accounting policies
Basis of accounting
The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The financial statements are rounded to the nearest hundred thousand pounds (expressed as millions to one decimal place – £m), except where otherwise indicated.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006. The US institutional equities business acquired as part of Chapdelaine in January 2007 provides research, market data and analytics services to clients in addition to trade execution. The cost of providing these services is included within administrative expenses and is not netted against revenue receivable from clients.

During the preceding financial year, the Group reviewed its clearing and settlement arrangements on 'matched principal' transactions settled through American clearing corporations and determined that certain transactions were not required to be recognised on the balance sheet. The 30 June 2006 comparative amounts have been restated accordingly. The impact is a reduction in settlement balances receivable and payable of £60,369.3m each.

The 30 June 2006 comparative balance sheet, cash flow statement and the related notes have been restated to reflect the reclassification of £15.8m from other financial assets to trade and other receivables and the reclassification of £12.3m from other financial liabilities to trade and other payables in order more fairly to reflect the nature of the balances.

3. Segmental analysis
The Group's primary reporting format is geographical: Europe, North America and Asia Pacific, and its secondary reporting format is product group. The change in primary and secondary segments from 2006 is due to the demerger of the Collins Stewart stockbroking business.

Continuing operations – geographical

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 £m
Revenue			
Europe	**184.4**	180.2	335.1
North America	**151.5**	133.9	252.8
Asia Pacific	**35.7**	33.9	66.2
	371.6	348.0	654.1
Operating profit			
Europe	**40.0**	36.6	65.9
North America	**20.9**	23.2	44.3
Asia Pacific	**3.9**	2.7	4.6
	64.8	62.5	114.8

3. Segmental analysis continued

There are no inter-segment sales included in segment revenue. All segment revenue is derived from sales to external customers.

Continuing operations – product group

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 £m
Revenue			
Treasury Products	**96.5**	102.3	191.0
Interest Rate Derivatives	**89.8**	88.1	166.5
Fixed Income	**109.3**	96.4	181.8
Equities	**36.8**	24.5	41.3
Energy	**32.1**	30.1	60.0
Information Sales	**7.1**	6.6	13.5
	371.6	348.0	654.1

Discontinued operations

Profit from the Group's discontinued operations was derived entirely from stockbroking.

4. Finance income

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 £m
Continuing operations			
Interest receivable and similar income	**6.8**	4.6	10.0
Gain on fair value hedge accounting	**–**	0.5	0.5
Mark to market gain on equity swap	**–**	7.7	13.4
Expected return on pension scheme assets	**3.3**	2.6	6.5
	10.1	15.4	30.4

Notes to the Consolidated Financial Statements continued

5. Finance costs

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 £m
Continuing operations			
Interest payable on bank loans and overdrafts	**5.5**	–	–
Interest payable on Eurobond	**6.2**	6.2	12.4
Other interest payable	**0.3**	0.7	1.2
Amortisation of debt issue costs	**0.9**	0.2	0.4
Total borrowing costs	**12.9**	7.1	14.0
Amortisation of discount on deferred consideration	**0.5**	–	–
Mark to market loss on equity swap	**1.5**	–	–
Interest cost on pension scheme liabilities	**2.9**	2.7	6.2
	17.8	9.8	20.2

6. Taxation
Continuing operations

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 £m
Current tax:			
UK corporation tax	**10.8**	12.8	21.5
Double tax relief	**(0.2)**	(0.4)	(0.6)
	10.6	12.4	20.9
Overseas tax	**6.7**	10.6	23.0
Prior year (over)/under provision of UK tax	**(0.1)**	(0.5)	0.3
Prior year (over) provision of overseas tax	**(3.0)**	(0.6)	(2.6)
	14.2	21.9	41.6
Deferred tax:			
Current period	**5.1**	1.2	0.1
Prior year overstated/(understated)	**3.6**	(1.5)	(0.7)
	22.9	21.6	41.0

7. Earnings per share from continuing operations

	Six months ended 30 June 2007 (unaudited)	Six months ended 30 June 2006 (unaudited)	Year ended 31 December 2006
Adjusted basic	**17.2p**	16.9p	31.6p
Basic	**16.1p**	22.0p	39.7p
Diluted	**15.9p**	21.7p	38.9p

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

	Six months ended 30 June 2007 (unaudited) No. (m)	Six months ended 30 June 2006 (unaudited) No. (m)	Year ended 31 December 2006 No. (m)
Weighted average shares in issue	**211.6**	210.3	210.7
Issuable on exercise of options	**3.1**	2.9	4.3
Diluted weighted average shares in issue	**214.7**	213.2	215.0

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

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 £m
Earnings	**34.4**	46.5	84.0
Minority interest	**(0.3)**	(0.2)	(0.4)
Earnings for the purposes of the basic and diluted earnings per share	**34.1**	46.3	83.6
Mark to market loss/(gain) on equity swap	**1.5**	(7.7)	(13.4)
Gain on fair value hedge accounting	**–**	(0.5)	(0.5)
Expected return on pension scheme assets	**(3.3)**	(2.6)	(6.5)
Interest cost on pension scheme liabilities	**2.9**	2.7	6.2
Amortisation of discount on deferred consideration	**0.5**	–	–
Taxation on above items	**0.1**	–	0.1
Prior year taxation items	**0.5**	(2.6)	(3.0)
Adjusted earnings	**36.3**	35.6	66.5

Notes to the Consolidated Financial Statements continued

8. Dividends

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) £m	Year ended 31 December 2006 £m
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the year ended 31 December 2006 of 6p per share	**12.7**	–	–
Interim dividend for the year ended 31 December 2006 of 5p per share	**–**	–	10.6
Final dividend for the year ended 31 December 2005 of 11p per share	**–**	23.2	23.2
	12.7	23.2	33.8

An interim dividend of 4p per share will be paid on 6 December 2007 to all shareholders on the Register of Members on 16 November 2007.

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

9. Notes to the cash flow statement

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

	Six months ended 30 June 2007 (unaudited) £m	Six months ended 30 June 2006 (unaudited) (restated) £m	Year ended 31 December 2006 (restated) £m
Operating profit	**64.8**	95.0	175.2
Adjustments for:			
(Profit)/loss on derivatives	**–**	(1.9)	(1.9)
Expense arising from share option plans	**2.1**	3.9	6.9
Profit on sale of other financial assets	**–**	(1.4)	(6.1)
Profit on sale of property, plant and equipment	**–**	(0.2)	(1.8)
Depreciation of property, plant and equipment	**3.0**	3.8	8.0
Amortisation of intangible assets	**0.7**	0.6	1.1
(Decrease)/increase in provisions for liabilities and charges	**(0.8)**	1.5	1.1
Outflow from retirement benefit obligations	**(1.4)**	(1.0)	(2.1)
(Decrease)/increase in non-current liabilities	**(0.3)**	0.1	1.1
Operating cash flows before movement in working capital	**68.1**	100.4	181.5
(Increase)/decrease in trade and other receivables	**(19.5)**	2.3	29.0
(Increase)/decrease in net settlement balances	**(2.9)**	(16.4)	3.9
Decrease in net long and short positions	**–**	6.5	14.3
(Decrease) in trade and other payables	**(2.3)**	(30.2)	(9.9)
Cash generated from operations	**43.4**	62.6	218.8
Income taxes paid	**(17.0)**	(17.7)	(41.1)
Interest paid	**(3.3)**	(3.6)	(14.1)
Net cash from operating activities	**23.1**	41.3	163.6

(b) Cash and cash equivalents

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

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

	30 June 2007 (unaudited) £m	30 June 2006 (unaudited) £m	31 December 2006 £m
Cash and cash equivalents	**216.5**	265.6	236.4
Bank overdrafts	**(1.3)**	(10.7)	(0.2)
	215.2	254.9	236.2

Notes to the Consolidated Financial Statements continued

10. Analysis of net funds

	At 1 January 2007 £m	Cash flow £m	Acquired with subsidiary £m	Non-cash items £m	Exchange differences £m	At 30 June 2007 £m
Cash in hand and at bank	160.7	(37.6)	–	–	(1.7)	**121.4**
Cash equivalents	73.4	19.3	–	–	(0.1)	**92.6**
Client settlement money	2.3	0.2	–	–	–	**2.5**
Overdraft	(0.2)	(1.1)	–	–	–	**(1.3)**
	236.2	(19.2)	–	–	(1.8)	**215.2**
Bank loans	–	(297.2)	–	(0.3)	–	**(297.5)**
Other loans	(148.8)	–	–	0.8	–	**(148.0)**
Finance leases	(3.2)	0.3	–	(0.1)	–	**(3.0)**
	(152.0)	(296.9)	–	0.4	–	**(448.5)**
Other financial assets	27.0	(0.2)	1.1	–	(0.1)	**27.8**
Total net funds	111.2	(316.3)	1.1	0.4	(1.9)	**(205.5)**

11. Acquisition

Chapdelaine

On 11 January 2007 the Group acquired 100% of the stock of Chapdelaine Corporate Brokers Inc. and 100% of the membership interests of C&W Corporate Securities LLC, these two entities being the owners of Chapdelaine Corporate Securities & Co. ('CCS'). The consideration was $95m (£48.5m) payable in cash, $57m (£29.1m) of which was paid on completion, the balance being payable over the next three years, part of which is dependent on CCS' performance. The goodwill arising on the acquisition was $89.4m (£44.6m at 30 June 2007).

This transaction has been accounted for by the acquisition method of accounting.

12. Return of capital

Following approval by the shareholders at the Extraordinary General Meeting on 26 February 2007, the Company reduced the nominal value of each ordinary share from 325 pence to 25 pence, and 50,002 redeemable deferred shares of 100p each were redeemed, thus reducing share capital by £637.0m to £53.1m. Of the sum arising from the reduction in nominal value, 142 pence per share, totalling £301.5m, was repaid to shareholders and the remainder was credited to the Company's reserves.

13. Financing

On 30 January 2007, TP Holdings Limited, a wholly-owned subsidiary of the Company, entered into a £350m credit facility agreement with The Royal Bank of Scotland plc and The Governor and Company of the Bank of Scotland as Arrangers (the 'Credit Agreement'). Under the terms of the Credit Agreement, TP Holdings Limited has drawn down £300m under a five year amortising term loan for the purposes of financing the Return of Capital. A further £50m may be drawn down for general corporate purposes, including acquisitions, under a five year revolving credit facility that is repayable at the end of year five.

Independent Review Report to Tullett Prebon plc

Introduction
We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprise the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants
London
10 September 2007

Shareholder Information

Financial Calendar

10 September	Interim Announcement
14 November	Ex-dividend Date
16 November	Dividend Record Date
6 December	Dividend Payment Date

Dividend Mandate

Shareholders who wish their dividends to be paid directly into a bank or building society account should contact Capita Registrars for a dividend mandate form. This method of payment removes the risk of delay or loss of dividend cheques in the post and ensures that shareholders' accounts are credited on the dividend payment date.

Shareholder Information on the Internet

The Company maintains an investor relations page on its website (www.tullettprebon.com) which allows access to share price information, directors' biographies, copies of Company reports, selected press releases and other useful investor information.

Tullett Prebon plc is a company incorporated and registered in England and Wales with number 5807599.

Registered Office

Tullett Prebon plc
Cable House
54-62 New Broad Street
London
EC2M 1ST
United Kingdom
Tel: 020 7200 7000
www.tullettprebon.com

Registrar

Capita Registrars
34 Beckenham Road
Beckenham
Kent
BR3 4TU
United Kingdom
Tel: 0870 162 3100
www.capitaregistrars.com

Auditors

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London
EC4A 3TR
United Kingdom
www.deloitte.com

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+44 (0)20 7610 6140.
www.carnegieorr.co.uk

Tullett Prebon plc
Cable House
54-62 New Broad Street
London
EC2M 1ST
United Kingdom

www.tullettprebon.com