Final Results

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TP ICAP PLC

Preliminary Statement of Results - for the year ended 31 December 2017

TP ICAP plc (the "Company") today announces its preliminary statement of results for the year ended 31 December 2017.

Strategic and Operational highlights

- A resilient performance in a low volatility environment
- Successful delivery of regulatory requirements under MiFID II
- Average revenue and contribution per broker increased in all regions

Integration highlights

- £27m synergy savings[1] delivered in the year, ahead of schedule (original 2017 target £10m)
- £52m of annualised run rate synergy savings achieved
- Costs to achieve synergies of £79m (original 2017 target £40m)
- Headcount reduction of 295 in the period
- Focus on non-compensation expenses
- Property and infrastructure rationalisation under way
- We reiterate our £100m synergy saving target by 2020

Financial highlights

Underlying prior year comparative numbers are shown on a pro forma basis only (i.e. including ICAP). Statutory prior year comparatives are also shown as reported by Tullett Prebon plc ("TP plc") on a standalone basis.

Underlying (before acquisition, disposal and integration costs, and exceptional items)[2]

- Revenue of £1,757m (2016: £1,687m)
- Operating profit £263m (2016: £240m)
- Operating margin 15.0% (2016: 14.2%)
- Profit before tax £233m (2016: £232m)
- Basic EPS 33.3p (2016: 34.0p)

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

- Operating profit £102m (2016: £181m pro forma, £73m reported)
- Operating margin 5.8% (2016: 10.7% pro forma, 8.2% reported)
- Profit before tax £72m (2016: £167m pro forma, £57m reported)
- Basic EPS 15.8p (2016: 23.2p pro forma, 17.8p reported)

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 and Operating Review.

The average number of shares used for the basic EPS calculation for the period is 551.8m.

Dividend

The Board has recommended an unchanged final dividend of 11.25p per share, making the total dividend for the year 16.85p per share, unchanged from that paid for 2016. The final dividend will be payable on 17 May 2018 to shareholders on the register at close of business on 6 April 2018.

Commenting on the results, John Phizackerley, Chief Executive of TP ICAP plc, said:
"Last year was a good first year for TP ICAP, and saw us benefit from the diversity of our product portfolio and geographic footprint by delivering a resilient performance in a low volatility environment.

"Our integration is progressing well as we accelerated synergy savings from 2018 into 2017. As a result we achieved £27m of synergy savings in 2017, ahead of our initial £10m target. The next phase of the integration will focus on delivering our IT plan and ensuring that the organisation is fit for purpose in a rapidly changing environment. We remain committed to achieving our £100m synergy saving target by 2020.

"Our industry has gone through a major regulatory change with the introduction of MiFID II, and I'm pleased to say that our dedicated programme - which was a multi-year project - was successfully delivered.

"So far in 2018 we have seen an encouraging start to the year, with a pick-up in volatility and interest rates. Although it is too early to tell whether these conditions are sustainable, our diversified business model and position as the world's largest interdealer broker leave us well-placed for future growth."

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.

1 Synergies savings reflect the reduction of underlying staff costs as a result of individuals leaving the Group or transferring to integration related roles that will cease once integration is complete.

2 Underlying results represent the results excluding acquisition, disposal and integration costs and exceptional items. Please refer to the Financial and operating review.

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

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Chief Executive's review

On 31 December 2016, Tullett Prebon acquired the Global Broking and Information Business of ICAP plc, creating TP ICAP,
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the world's largest interdealer broker. As a result, 2017 was a year of significant change, growth and achievement for our new firm and our employees.

TP ICAP has a unique position at the heart of the world's financial and energy markets, providing liquidity and data to a broad and diverse array of market participants including banks, asset managers, hedge funds and energy and commodities firms.

Financial performance

During 2017, we have seen the benefit of the diversity of our product portfolio and geographic footprint and this has enabled us to deliver a resilient performance in a low interest rate, low volatility environment.

Underlying operating profit was £263m, 10% higher than the pro forma for 2016 of £240m and underlying operating profit margin of 15.0% is 0.8 percentage points higher than in 2016 pro forma. Underlying earnings and earnings per share were £184m and 33.3 pence per share compared to £188m and 34.0 pence per share pro forma for 2016.

Reflecting costs of the integration, statutory operating profit was £102m, 44% lower than the pro forma for 2016 of £181m and statutory operating profit margin of 5.8% is 4.9 percentage points lower than in 2016 pro forma. Statutory earnings and earnings per share were £87m and 15.8 pence per share compared to £128m and 23.2 pence per share pro forma for 2016.

Integration progress

A key driver behind the transaction that created TP ICAP was the identification of synergies inherent in its combination. At the time of announcement of the transaction we estimated this to be £60m per year with the full run-rate to be achieved over three years.

This has subsequently increased to a stretch target of £100m per year to be reached by 2020. The majority of these savings come from support and infrastructure areas. Launching the integration was our top priority in 2017 and by the end of that first year we achieved annualised run-rate savings of £52m per year.

We started the integration by appointing a unified senior management team made up of the best people from the two firms. Single leaders for divisional, functional and corporate support areas were key to providing early clarity and direction to the organisation. At the same time, we moved quickly to constitute our governance structures, committees, policies and procedures. We have created single support functions in Finance, Legal, Risk, Compliance and HR, successfully co-located support staff and removed duplication. We have migrated our finance systems on to a single general ledger platform, rationalised our internal approvals processes, brought in globally aligned "Know Your Customer" and anti money laundering policies, and consolidated our swap execution facilities (SEFs) from three to two. We have also embarked on the process of reducing the large number of redundant legal entities in the new combined corporate structure.

In 2018, we are moving to phase 2 of the integration programme which will take us increasingly from integration to transformation. Not only do we aim to combine the infrastructure platforms of the two businesses but we seek to optimise and transform our operations to create a more efficient and scalable corporate function infrastructure. We will increase our capabilities and headcount in our Support Services Centre in Belfast as part of this programme. We also plan to extract efficiencies from procurement and from our non-compensation expense base. In mid-2018, we will move in to our new US Headquarters in Lower Manhattan where all our New York brokers will be located under one roof. In addition, our combined UK based Energy & Commodities team will be housed in a single location in London's West End. There are other office moves planned including a new London office in early 2019.

Business development

Our business lines are organised into four global divisions (Global Broking, Energy & Commodities, Data & Analytics and Institutional Services) and they all have inherent growth opportunities in 2018. Global Broking is the largest contributor to revenues and profits in the Group. Our focus is very much on increasing productivity through a range of initiatives including adopting and leveraging technology, selective new hires, active management of underperformers and a few selective desk mergers to leverage stronger relationships and liquidity pools where appropriate. We provide our customers with efficient and effective ways of trading via multiple protocols, such as Central Limit Order Books (CLOB), Volume Matching, Crossing Solutions and Request For Quote (RFQ).

The Electronic Markets team is an integral part of the Global Broking division and is responsible for improving hybrid platform functionality, developing pure-electronic services, and enhancing our clients' workflows. In 2017, our electronic Volume Matching platforms were functionally enriched and deployed into new products globally, resulting in record traded volumes and revenues were up 30% year-on-year. We launched an RFQ platform for FX Options, delivering a hybrid workflow with effective price discovery and the ability to disseminate liquidity to the market through an Applications Programme Interface (API).

Our brokers remain vital to our clients and key to our success and we focus on retaining star performers. While average broker pay-outs as a percentage of commissions declined again in 2017, actual revenue and contribution per broker rose.

TP ICAP is the world's largest Energy & Commodities broker with offices in 20 locations globally and coverage of a very broad set of products across three brands - Tullett Prebon, ICAP and PVM. It also has our most diverse customer base, with nearly 90% of its revenue coming from non-banking clients, such as commodity producers and consumers, refiners, energy companies, utilities, hedge funds, asset managers and trading companies.

Average revenue per broker is the highest in this division. In January 2018, we acquired SCS Brokers, a US-based oil and softs brokerage company. We are consolidating seven back office deal management systems into one global platform. As in other parts of our business, we invest in technology, taking opportunities to deploy innovative solutions to give our clients the best service.

In 2017, the Coalition survey of major bank revenues noted that commodities revenues have reached their lowest levels since 2006 because of ongoing weakness in energy products, lower volatility, reduced client activity and trading underperformance.

Despite this difficult environment, we retained our leading position. With our diversified portfolio of businesses we are well-placed to take advantage of any increased market activity.

We plan to continue to grow our presence through recruiting more brokers. At the same time, we will continue to make the business more efficient and continue to invest in our platforms.

We are enthusiastic about the prospects for our Data & Analytics business because it stands to benefit from rising demand for independent pricing products. We already represent the broadest global coverage in proprietary neutral OTC data, generated by our execution divisions, and we see the opportunity to add value through enhancing this existing dataset.

We also have the potential to reach a wider customer base through the use of new technologies. In 2017 we continued to innovate, rolling out new services and products across a wide spectrum of asset classes. We added a pricing product in Government bond strips for GBP and EUR. We have added pricing products for the liquid natural gas markets.

The implementation of MiFID II is also increasing demand for unbiased OTC pricing data. We are investing in our data sales capability and how we make those sales. We are also looking at increasing the range and pace of new product development and we are exploring the possibility of collaborating on creating OTC indices products underpinned by our data feeds.

During 2017, Institutional Services added agency FX, FX options, listed futures and options, and rates to its range of flow products. The division is also working closely with clients to develop and provide structured product solutions, such as asset backed loans, property derivatives, and secondary trading of hedge fund, private equity and real estate investments. We see great potential to grow our breadth of activities in this division and our acquisition of COEX Partners in November is an important part of this strategy. The company provides execution services in listed futures and options and FX, and brings more than 50 client-facing employees with strong customer relationships. COEX has recently expanded its product range to include equity derivatives in the US.

This year, our focus will be on adding more breadth and depth to our footprint in EMEA, expanding in the US, and evaluating potential bolt on acquisitions.

People

We invested in and engaged with all our employees in 2017. Retaining, recruiting and cultivating a diverse and talented workforce remains a key objective for the Group. We continued our multi-year recruitment campaign to bring in the next cohort of brokers. In June 2017, we conducted our first engagement survey as TP ICAP, achieving a 70% response. Understanding employee sentiment across a broad array of issues has allowed us to prioritise actions and shape our culture positively.

Change has been a consistent theme throughout the year, and supporting our employees by providing formal training has helped equip them with the skills to achieve our integration objectives. As we continue to implement specific integration targets such as right-sizing the Group, we have endeavoured to be open and fair.

We have created an employee representation forum in London called 'Involve' and have mechanisms in place to consult and communicate with our staff. By the end of 2017, we achieved alignment across our main centres for key health benefits (medical, life assurance and income protection) reinforcing the importance of equitable treatment and emphasising the importance we attach to wellbeing at TP ICAP.

Conduct and culture

We take every opportunity to emphasise the importance of conduct and culture at all levels of the Group with regular communication we promote our agenda using events such as formal Town Halls, informal listening sessions and regular team meetings.

At the end of 2017 all TP ICAP employees were required to watch a bespoke video called Respect@Work" which clearly set out the Company's expectation for how people should interact and treat one another and what they should do if they see anything contrary to this in the workplace. Training employees on our standards and compliance with our policies is ongoing.

In 2017, we published a new 'Culture and Conduct Monitor'. This will assess specific elements of our culture and we will issue it twice each year.

Finally, we continue to embed strong discipline in performance management through our annual year-end appraisal process for corporate support staff, and for our brokers we have instigated "Performance, Conduct and Bonus" forms which assess non-financial factors tied to our core values of Honesty, Integrity, Respect and Excellence.

Corporate responsibility
We know society has increasingly high expectations of us. We also know that our employees, and the next generation, care deeply about the sort of company they want to work for.

Inter-dealer broking has always been an area where talented individuals can flourish, and it is our responsibility to ensure we cast the net far and wide when looking for, and developing, new talent. We call this 'A Voice for All'.

Our emphasis on corporate social responsibility and good corporate citizenship means we look for opportunities to help our communities and inform those who want to participate. For example, employees are given two days paid volunteering leave a year, and we make funds available to support their personal charitable fund-raising efforts. ICAP has a strong record in charitable support, and on 5 December, held the 25th annual ICAP Charity Day. This long-established and well-loved tradition sees us come together across the globe to raise money for good causes, while also having a great deal of fun. As usual, the team participation was outstanding. This year we welcomed a host of celebrities and our guest of honour, the Duchess of Cornwall, to our offices in London, and events were held in locations around the globe. We raised more than £4.7m for this year's chosen charities, bringing the grand total we have raised over the last 25 years to nearly £140m.

MiFID II
The Markets in Financial Instruments Directive II (MiFID II) is a European Union law that provides harmonised regulation across the Member States with the aim of increasing competition and protection in investment services. Preparing for MiFID II, which came in to force on 3 January 2018, was a major workstream for TP ICAP during 2017 and the culmination of several years of investment and effort in many corporate areas.

MiFID II has a broad impact on many facets of the functioning of European markets, including the trading in OTC products. The directive requires the trading of some OTC financial instruments to take place on a multilateral trading facility (MTF) or an organised trading facility (OTF) - the latter is a new type of venue that covers hybrid broking activity. These venues resemble in many ways traditional exchanges. We received regulatory approval for all 11 of our venues in 2017.

TP ICAP is a leading liquidity and market data provider in many major OTC asset classes. MiFID II requires market participants to pursue best execution. We are confident that our venues will become the go-to hubs for the best liquidity, keenest pricing and the required data and analytics, assisting in this best execution obligation. The cost and sophistication to provide institutions with this value-chain requires significant resources. We believe that liquidity will gravitate towards the market players who can handle this complexity and make this level of investment. As a result, we are confident that MiFID II strengthens our value-proposition as a market infrastructure player and venue operator.

Brexit
Our work to prepare for Brexit has been hampered by political uncertainty which persists into 2018. As a result, we have now moved from analysis and planning, to decisions and action without a full understanding of the final outcome of the negotiations between the UK Government and the EU. We already have an extensive Continental European footprint including branches and subsidiaries, premises and front office and support staff that service EU clients from Frankfurt, Paris, Amsterdam Madrid and elsewhere. We are now in talks with a number of European financial regulators to establish what we and they require should TP ICAP base its post-Brexit European hub in one of their locations. During the coming year, we will need to do what is necessary to ensure we can provide uninterrupted service to our clients after Brexit in March 2019, and seek to avoid any consequential reductions in trading volumes.

Awards
We were pleased to win a number of industry awards during 2017, including Global Capital Overall Broker and Overall Interest Rates Broker of the Year, Credit Derivatives Interdealer Broker of the Year, and Data and Analytics Vendor of the Year. These awards are an endorsement of the strength of our offering, and testament to our commitment to excellent client service.

Looking ahead
TP ICAP ended 2017 a larger and stronger business. Our Group is more diverse in product offering and client reach than ever before and this positions us well to manage the cyclical and divergent nature of the markets and sectors we serve. I firmly believe that we will continue to play a central role providing liquidity at the heart of the global financial and energy markets enabling them to trade effectively and transparently.

Looking forward, political and economic factors are likely to continue to affect asset prices and volatility during 2018. This will present numerous opportunities. With a clear strategy and sustained focus on operational excellence, I am confident TP ICAP will continue to be resilient and successful.

We are a truly international and culturally diverse business, employing people in countries to provide first-rate services and expertise to our clients. I would like to thank everyone at TP ICAP for their hard work in 2017, and hope they will take pride in the business they helped create, and in the future success we intend to enjoy.

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Financial and operating review
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The Group generates broking revenue from commissions it earns by intermediating and executing customer orders. The level of revenue depends substantially on customer trading volumes, which are affected by the conditions in the financial markets, by customers' risk appetite, and by their willingness and ability to trade.

2017 represented a mixed year for market activity in OTC financial markets marked by ongoing low levels of volatility. These cyclical factors still affect the interdealer broker industry as well as the presence of structural factors, such as bank regulation, that have had a significant impact on the industry since the financial crisis. Volatility, and the steepness and absolute level of yield curves, are key drivers of activity in the financial markets. Measures of financial market volatility fell compared with 2016, which was affected by the Brexit vote and the US presidential elections. Despite low levels of volatility there were still sporadic increases in trading volumes in many product areas. The diversified nature of our business meant that there was growth in at least one of our products at any one time.

2017 marked a gradual shift in the interest rate cycle with the US in particular seeing three interest rate rises during the year in March, June and December. The UK also increased interest rates and the ECB announced plans to scale back quantitative easing. When rates did rise, we saw increased activity in our business particularly in our Rates and FX & Money Markets businesses. Generally a change in the shape of the yield curve is positive for the business but it is perhaps too early to tell whether these interest rate rises will be sustained.

In 2017, the Group benefited from the strategic decision to target 'buy side' customers through the creation of the Institutional Services division. The business experienced strong revenue growth principally due to the authorised representative arrangement with COEX partners for the first 11 months of the year and the subsequent acquisition of the business in November. We believe that we are well positioned to grow this business further in the future.

The Data & Analytics business also performed strongly and remains a strategic priority. This business built on the progress of last year and benefited from the continued expansion of its client base, geographical presence and the enhancement of its sales capability. During the year the business extended the data content it provides to customers, particularly from its expanded high quality Energy & Commodities data sets.

Financial and performance measures

	2017			**2016**	
		Pro forma		**Reported**	
	TP ICAP	**TP ICAP**	**Change**	**TP plc Only**	**Change**
Global Broking revenue (£m)	**1,270**	1,222	+4%	581	+119%
Energy & Commodities revenue (£m)	**343**	347	-1%	244	+41%
Institutional Services revenue (£m)	**32**	17	+88%	17	+88%
Data & Analytics revenue (£m)	**112**	101	+11%	50	+124%
Total revenue (£m)	**1,757**	1,687	+4%	892	+97%
Underlying operating profit (£m)	**263**	240	+10%	132	+99%
Underlying operating profit margin	**15.0%**	14.2%	0.8%	14.8%	0.2%
Statutory operating profit (£m)	**102**	181	-44%	73	+40%
Statutory operating profit margin	**5.8%**	10.7%	-4.9%	8.2%	-2.4%
Average broker headcount	**2,842**	3,018	-6%	1,702	+67%
Average revenue per broker (£000)	**579**	526	+10%	484	+20%
Average contribution per broker (£000)	**287**	258	+11%	227	+26%
Broker compensation costs: broking revenue	**50.5%**	51.0%	-0.5%	53.2%	-2.7%
Period end broker headcount	**2,715**	2,981	-9%	1,672	+62%
Period end broking support headcount (excluding integration)	**1,792**	2,083	-14%	849	+111%

Total revenue of £1,757m in 2017 was 4% higher than in 2016 as reported on a pro forma basis (1% higher at constant exchange rates).

Operating margin and cost management

As we noted in our interim results in July, the Group has continued to invest in developing its operational capabilities, its control and support functions and on strategic initiatives. In particular there has been an increase in costs during the year driven by our need to comply with various regulatory demands such as MiFID II. Costs relating to MiFID II of £14m (£7m of which were capitalised) were necessary and as a result we were MiFID II compliant at its launch in January 2018. While this cost was one-off in nature the burden of regulatory requirements is unlikely to abate in 2018 and we expect to incur costs in relation to making the Group ready for the impact of Brexit.

During 2017 there was further investment in value enhancing strategic initiatives with increased investment on the development of our Belfast Support Services Centre, our early talent programme and building out the management of our Institutional Services division. Costs associated with these initiatives are expected to generate increased earnings for the Group over the short to medium term. Other costs incurred in the year include £9m of legal costs, an increase of £4m on the prior year reflecting expenditure incurred defending investigations.

During the year the Group implemented a cost improvement programme. The objective of the programme was to both preserve the variable nature of broking compensation and thus reduce it as a percentage of broking revenue, as well as exiting non-performing brokers and closing loss making offices in Luxembourg and Poland. This ensures the business is well positioned to respond to less favourable market conditions and to maintain its operating margins. The £32m cost of the actions taken in 2017 has been charged as an exceptional item in the 2017 Consolidated Income Statement.

Underlying operating profit increased by 10% on a pro forma basis to £263m. The underlying operating profit margin in 2017 of 15.0% is 0.8 percentage points higher than in 2016 on a pro forma basis, reflecting the benefits of the cost improvement programme. Underlying earnings per share for 2017 of 33.3p are 9.2p lower than for 2016 as reported, and 0.7p lower on a pro forma basis.

Statutory operating profit of £102m was 44% lower than in 2016 on a pro forma basis, and statutory operating margin of 5.8% is 4.9 percentage points lower than 2016 on a pro forma basis. Statutory operating profit is after acquisition, disposal and integration costs and exceptional items, and is described further below. Statutory earnings per share for 2017 of 15.8p are 2.0p lower than for 2016 as reported and 7.4p lower on a pro forma basis.

Period end broker headcount decreased by 9% to 2,715 at December 2017 from 2,981 in December 2016. Average broker headcount during 2017 was 6% lower than during 2016 on a pro forma basis, and with a 10% increase in average revenue per broker, the resulting broking revenue was 1% higher than in 2016 (at constant exchange rates).

The period-end broking support headcount of 1,789 was 14% lower than at the end of 2016, primarily reflecting the impact of headcount reductions as part of the actions taken to achieve synergy savings.

The tables below analyse revenue by business division as well as revenue and underlying operating profit by region for 2017 compared with the equivalent period in 2016.

Comparative data is shown on both a pro forma basis and as reported. The performance of the business has primarily been compared with the pro forma comparative as opposed to the Tullett Prebon (TP) standalone statutory reported comparative, as this is more relevant for the users of the Annual Report.

Revenue

Revenue by business division

A significant portion of the Group's activity is conducted outside the UK and the reported revenue is therefore affected by the movement in the foreign exchange rates used to translate the revenue from non-UK operations. The tables therefore show revenue for 2016 translated at the same exchange rates as those used for 2017, with growth rates calculated on the same basis. The revenue figures as reported for 2017 are shown in Note 3 to the Consolidated Financial Statements. The commentary below reflects the presentation in the tables.

Revenue by business division

	2017			**2016**		
				Reported TP ICAP		
£m		**Pro forma Constant**	**Change**	**Pro forma**	**Change**	**Reported (TP plc only)**
Rates	**528**	524	+1%	507	+4%	215
Credit	**117**	124	-6%	118	-1%	78
FX & Money Markets	**218**	215	+1%	208	+5%	137
Emerging Markets	**225**	226	0%	217	+4%	94
Equities	**182**	178	+2%	172	+6%	57
Global Broking	**1,270**	1,267	+0%	1,222	+4%	581
Energy & Commodities	**343**	359	-4%	347	-1%	244
Institutional Services	**32**	16	+100%	17	+88%	17
Data & Analytics	**112**	104	+8%	101	+11%	50
	1,757	1,746	+1%	1,687	+4%	892
Exchange translation	**-**	(59)	-	-	-	-
Statutory	**1,757**	1,687	+4%	1,687	+4%	892

Total revenue of £1,757m in 2017 was 1% higher than pro forma 2016 at constant exchange rates, and 4% higher at actual exchange rates.

Global Broking revenue was in line with the prior year at constant exchange rates. The business benefited from volatility around the UK election, an increase in the US Federal Funds interest rate and a gradual shift in the inflationary stance of the ECB and Bank of England, which provided opportunities, particularly in the rates business which saw growth of 1% compared with pro forma 2016. Rates has also benefited from the increased performance of the Risk Management Services business.

Credit markets continued to see challenging market conditions in 2017 with low volatility and restrictions on clients' balance sheets resulting in lower trading volumes throughout the year. As a result of these conditions revenue fell by 6% on a pro forma basis to £117m. The Emerging Markets division covers a wide variety of products that are traded in emerging markets such as Latin America, Central and Eastern Europe and Africa. Overall revenues were slightly lower than last year when the business benefited from the volatility created around the US elections.

Compared with pro forma 2016 and at constant exchange rates, the FX & Money Markets and Equities businesses have seen growth in revenue of 1% and 2% respectively. FX & Money Markets have benefited from the uncertainty created around the Brexit negotiations with Forward FX in Sterling and Euro performing well. In Equities the business performed strongly in Structured Products and Index Delta One desks, which helped increase revenues during the year.

Energy & Commodities revenue was 5% lower than the pro forma 2016 at constant exchange rates. The decline reflects challenging market conditions where subsidised green energy has flattened power curves and a lack of clarity in environmental markets has resulted in lower volumes, which has also been seen in the commodities business. Q4 was a particularly tough quarter with low volatility across all asset classes. The decline in the Energy & Commodities business has been offset by the continued growth in the oil business where revenues were up 5% on the pro forma comparative.

Institutional Services revenue has seen a significant increase in revenue in the year due to the inclusion of the COEX business. Up until the end of November this year, when the acquisition of COEX was completed, the revenue was included in Institutional Services as part of an Appointed Representative Agreement.

Data & Analytics revenue was 8% higher than pro forma 2016 at constant exchange rates as the business continues to see growth in demand for its expanded high quality Energy & Commodities data sets including oil data from the PVM brokerage.

There has also been a growing trend towards buy-side asset owners and managers sourcing independent financial data. This trend continues and combined with regulatory reform, offers significant revenue growth opportunities for the Data & Analytics businesses to provide pricing and reference data.

Revenue by region

£m	2017	Pro forma Constant	Change	2016 Reported TP ICAP Pro forma	Change	Reported (TP plc only)
EMEA	**877**	857	+2%	842	+4%	481
Americas	**628**	642	-2%	611	+3%	280
Asia Pacific	**252**	247	+2%	234	+8%	131
	1,757	1,746	+1%	1,687	+4%	892
Exchange translation	**-**	(59)	-	-		
Statutory	**1,757**	1,687	+4%	1,687	+4%	892

Revenue by region

Comparisons to 2016 are on a pro forma constant currency basis.

EMEA (Europe, Middle East and Africa)

Revenue in EMEA was 2% higher than the prior year. Within Global Broking all products, with the exception of Credit, grew revenues year on year particularly in FX & Money Markets reflecting the performance of the forward FX desk. The Rates division increased revenues by 1% year on year driven by the strong ICAP franchise and good performance from TP particularly within Gilt IDB, Repo and government bond desks during the year.

For Equities, 2017 was a strong year for the structured products business of the ICAP brand, with revenue across desks increasing by 47% year on year. Emerging Markets benefited from volatility across a number of local markets, with the central medium term interest rate swaps ICAP desk increasing revenues 87% year on year and the PLN and CZK desks also performing well. Credit products struggled generally across both Tullett Prebon (TP) and ICAP brands in the year, with corporate bond performance challenging, particularly in Paris and Frankfurt.

Revenue from Energy & Commodities decreased by 4% in the region year on year, with the TP and PVM brands flat overall, but the ICAP brand revenue declining by 23% compared with the prior year although this business represents less than one fifth of the total Energy & Commodities revenue in the region. The steep decline in revenues reflects the product splits of the various brands with the ICAP brand heavily weighted towards power and commodities markets which have been under considerable pressure. Overall revenues from the TP and PVM oil desks increased by 6% year on year offsetting the more challenging power and commodity markets.

The Institutional Services division within the region has seen a period of growth and transition in a number of different areas, but also some challenges. There has been significant headcount change in the Mirexa business during the year, resulting in an 11% decline in revenue year on year. 2017 saw a full year of the revenues from the COEX business (against only six months in 2016), mainly from their exchange traded derivatives business but also from their own FX business. Overall revenues have materially increased by 143% year on year. Following the acquisition of COEX at the end of November, the full COEX results are now reported as part of the TP ICAP Group results so that one month of COEX's 2017 result is included in the income statement.

Average broker headcount in the region was 7% lower than last year, with average revenue per broker up 9%, primarily as a result of the cost improvement programme. Period-end broker headcount was 1,189.

Americas

The Americas revenue in 2017 was 2% lower than in 2016. The Americas have reduced underperforming broker headcount since 2016, increasing revenue per broker by 3%, further positioning the business to take advantage of growth opportunities within both the TP and ICAP brands.

Within our Global Broking business, general market conditions continued to be subdued during 2017. Financial markets saw a slight increase in activity early on in 2017 with interest rate movements, but activity in the second half remained constricted especially relative to the market activity that had built up in anticipation of the 2016 Brexit vote and U.S. Presidential election.

Rates revenue was down 1% with strategic hires and brief periods of volatility in interest rate derivatives offsetting subdued volumes and lack of issuance in the government bond market. Our Rates business continues to be the region's largest asset class.

Despite historically low levels of volatility in the U.S. Equities markets in 2017 (VIX nearing historic lows at points during the year), Equities revenue was down only 2% on the back of expansion into new product areas. Within Credit, the region benefited from TP's addition of 14 credit derivative brokers in September 2016 largely offsetting restricted volumes in corporate credit and mortgages. Credit and Equities remain opportunities for growth in the Americas given the large number of U.S. market participants as well as strategic fits within the competing TP and ICAP brands.

Both Local Markets and FX & Money Markets businesses saw lower revenues in 2017 due to increased regulatory constraints in cash and deposits markets and recent desk closures and restructurings. These conditions offset improved performance in select offshore emerging markets areas.

Energy & Commodities business also saw lower revenue in 2017. Increased revenue in financial oil products (a business we continue to expand) were offset by poor year-on-year comparables in U.S. power and natural gas due to the heightened activity in 2016 in anticipation of energy policy change surrounding the U.S. Presidential election. The recent acquisition of SCS Commodities in January 2018 will bolster the Americas' position in U.S. Oil markets. Energy & Commodities continues to be a targeted growth area across the TP, ICAP and PVM brands.

Average broker headcount in the Americas was 5% lower than in 2016, with average revenue per broker 10% higher. Period-end broker headcount in the Americas was 935.

Asia Pacific

Revenue in Asia Pacific was 2% higher than last year, reflecting increased revenue from the Global Broking division, which more than offset a fall in Energy & Commodities revenues.

Global Broking revenue in the region has seen growth in equity derivatives and rates products growing by 7% and 2% year on year respectively. The Equities business benefited from the strength of the ICAP branded business in Hong Kong and Japan, in both single stock products and in index products. The interest rate swaps desks in ICAP Australasia, TP Hong Kong and TP Singapore all increased revenue, benefiting from their respective market leading positions, which took advantage of an upward movement in actual and expected interest rates, growing revenue by 5%. This was tempered somewhat in the second half of the year by the disruptive effect of a competitor attack on the ICAP Australia business.

Energy & Commodities revenues benefited from continued growth in the oil related business under both the TP and PVM brands. However, this was offset by challenging market conditions in the commodities and power markets which were affected by falling market volumes due to slowing Chinese demand.

Average broker headcount in the region was 5% lower than in 2016 with average revenue per broker up 14%. Period-end broker headcount in Asia Pacific was 591.

Underlying operating profit

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

Underlying operating profit

£m	2017	2016 Pro forma	Change	2016 Reported (TP plc only)	Change
EMEA	**170**	160	+6%	98	+74%
Americas	**64**	57	+12%	18	+256%
Asia Pacific	**29**	23	+26%	16	+81%
	263	240	+10%	132	+99%

Underlying operating profit margin by region

%	2017	2016 Pro forma	2016 Reported (TP plc only)
EMEA	**19.4%**	19.0%	20.3%
Americas	**10.2%**	9.3%	6.4%
Asia Pacific	**11.5%**	9.8%	12.2%
	15.0%	14.2%	14.8%

EMEA

Underlying operating profit in EMEA of £170m was 6% higher than in the prior year on a pro forma basis, and with revenue up 4%, the underlying operating profit margin has increased by 0.4 percentage points, to 19.4% on a pro forma basis. The overall contribution and revenue per broker increased as the business benefited from actions taken under the cost improvement programme. The region also experienced a decrease in broker headcount due to the removal of underperforming brokers.

The benefit of improved contribution has been offset by higher management and support costs due to the investments being made in strengthening and developing the business, and one-off costs relating to technology and regulatory projects.

Americas

In the Americas, the underlying operating profit of £64m is 12% higher than in 2016 on a pro forma basis and the underlying operating profit margin has improved by 0.9 percentage points to 10.2% compared to pro forma 2016. Actions taken to remove underperforming brokers has helped improve contribution. The operating profit margin has also benefited from synergy savings during the year.

Asia Pacific

Underlying operating profit in Asia Pacific has increased by 26% to £29m compared to 2016 on a pro forma basis. Overall revenue and contribution per broker increased during the year. In Global Broking a number of steps were taken to improve contribution, including some rightsizing of broker headcount on certain desks, some selective withdrawal from non-profitable products and some measured adjustments to bonus structures. These actions were the principal reason for the improvement in the underlying operating profit margin.

Results

The results for 2017 compared with those for 2016 are shown in the tables below.

2017

Income statement £m	Underlying	Acquisition, disposal and integration costs	Exceptional items	Statutory
Revenue	**1,757**			**1,757**
Charge relating to cost improvement programme			**(32)**	**(32)**
ICAP integration costs		**(79)**		**(79)**

Acquisition-related share-based payment charge		**(9)**		**(9)**
Amortisation of intangible assets arising on consolidation		**(40)**		**(40)**
Other items		**1**	**(2)**	**(1)**
Operating profit	**263**	**(127)**	**(34)**	**102**
Operating profit margin	***15.0%***			***5.8%***
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 (millions)	**551.8**			**551.8**
Basic EPS (pence)	**33.3**			**15.8**

2016

Income statement **£m**	**Underlying**	**Acquisition, disposal and integration costs**	**Exceptional items**	**Statutory**
Revenue	892			892
Charge relating to cost improvement programme			(6)	(6)
Pension scheme settlement gain			4	4
ICAP acquisition costs		(17)		(17)
ICAP integration costs		(19)		(19)
Acquisition-related share-based payment charge		(17)		(17)
Amortisation of intangible assets arising on consolidation		(2)		(2)
Other acquisition and disposal items		(2)		(2)
Operating profit	132	(57)	(2)	73
Operating profit margin	*14.8%*			*8.2%*
Net finance expense	(10)	(6)		(16)
Profit before tax	122	(63)	(2)	57
Tax	(22)	5		(17)
Share of net profit of associates and joint ventures	4			4
Non-controlling interests	(1)			(1)
Earnings	103	(58)	(2)	43
Average number of shares (millions)	242.3			242.3
Basic EPS (pence)	42.5			17.8

The pro forma 2016 comparatives have been compiled by aggregating the audited 2016 financial statements of TP plc with financial data extracted from the books and records of ICAP over the 12 month period to December 2016. They do not include a deduction for amortisation of acquisition intangibles arising on the acquisition of ICAP of £40m that is included in 2017, and they include £17m of acquisition costs relating to the acquisition of ICAP.

TP ICAP 2016 unaudited pro forma income statement

Income statement **£m**	**Underlying**	**Acquisition, disposal and integration costs**	**Exceptional items**	**Statutory**
Revenue	1,687			1,687

Charge relating to cost improvement programme			(6)	(6)
Pension scheme settlement gain			4	4
ICAP acquisition costs		(17)		(17)
ICAP integration costs		(19)		(19)
Acquisition-related share-based payment charge		(17)		(17)
Amortisation of intangible assets arising on consolidation		(2)		(2)
Other acquisition and disposal items		(2)		(2)
Operating profit	240	(57)	(2)	181
Operating profit margin	*14.2%*			*10.7%*
Net finance expense	(8)	(6)		(14)
Profit before tax	232	(63)	(2)	167
Tax	(52)	5		(47)
Share of net profit of associates and joint ventures	9			9
Non-controlling interests	(1)			(1)
Earnings	188	(58)	(2)	128
Average number of shares (millions)	552.6			552.6
Basic EPS (pence)	34.0			23.2

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 (see Note 2(c)) to the Consolidated Financial Statements). Underlying profit is reconciled to profit before tax on the face of 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, disposals and integration rather than underlying trading performance.

There is a £34m exceptional charge in 2017. £32m of this exceptional charge relates to the TP ICAP cost improvement programme and reflects costs incurred in restructuring broker employment contracts and removing underperforming brokers. Exceptional items have been excluded from underlying results as they are non-recurring and do not relate to the underlying performance of the business. While a £5m cost improvement programme charge arose in 2016, it reflected the remaining actions of a discrete programme implemented in 2015.

The Group does not expect to incur exceptional costs of this nature for the foreseeable future. The Group also incurred a £2m charge in the year relating to long-term employee benefit obligations, which is one-off and exceptional in nature.

Costs of £79m relating to the integration of ICAP includes the cost of individuals, the majority of whose time is dedicated to delivering the integration. Other integration costs include professional fees and staff severance costs. In the 2016 Annual Report, we set out the expected integration savings and associated costs to achieve those savings. For 2017 we estimated that we would make savings of £10m and we would spend £40m on integration. Due to the acceleration of the integration programme we have made savings of £27m during the year and the costs to achieve those savings have increased from an expected £40m to £79m.

The annualised run rate of synergy savings achieved at the end of the year was £52m. We remain committed to delivering £100m of synergy savings over the duration of the integration programme.

As part of the acquisition of PVM in November 2014, the payment to each individual vendor of their share of up to US$51m of deferred consideration (which was subject to achieving revenue targets in the three years after completion) was linked to their continued service with the business, and was therefore amortised through the income statement over the relevant service period. The final amortisation charge of the earn out was recognised in 2017 of £9m (2016: £16.3m).

A charge of £39m has been incurred through the income statement reflecting the amortisation of intangible assets other than goodwill arising on the acquisition of ICAP, PVM, MOAB and COEX, reflecting brand value, the value of customer relationships and other intangible assets. Amortisation of intangible assets arising on consolidation is excluded from underlying results to present the performance of the Group's acquired businesses consistently with its organically grown businesses where such intangible assets are not recognised.

Net finance expense

The underlying net finance charge of £33m comprises: £28m interest payable on the outstanding Sterling Notes including £24m from the £500m January 2024 Sterling Note issued in January 2017 to refinance the £470m bank bridge loan; £4m interest payable on the revolving credit facility and commitment fees for the bridge facility prior to its refinancing; £3m of amortisation of debt issue and arrangement costs; and other net interest income of £2m.

The underlying net finance income of £3m comprises the £3m non-cash income on the Retirement Benefit Asset.

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

Net finance expense

	2017 £m	**Reported (TP plc only) 2016 £m**
Receivable on cash balances	**3**	2
Payable on Sterling Notes June 2019	**(4)**	(4)
Payable on Sterling Notes January 2024	**(24)**	-
Payable on Sterling Notes June 2016	**-**	(5)
Interest payable on bank facilities	**(1)**	(2)
Commitment fee payable on bank facilities	**(3)**	(2)
Amortisation of debt issue and arrangement fees	**(3)**	(1)
Other interest	**(1)**	(1)
	(33)	(13)
Net finance income	**3**	3
	(30)	(10)

Tax

The effective rate of tax on underlying profit before tax is 26% (2016: 23% pro forma and 18% as reported). The rate is higher than the underlying 18% reported in 2016 primarily due to the inclusion of the ICAP business in the current year results, which has driven an increase in the mix of taxable profits in the period in tax jurisdictions with higher statutory rates of tax, principally the US. The rate is higher than the 2016 pro forma rate of 23% reflecting a change in the mix of taxable profits and an increase in non-deductible expenditure.

The effective rate of tax on statutory profit before tax is a 4% credit to income rather than a tax charge. This reflects the increase in the tax credit included in acquisition, disposal and integration costs due to a £24m decrease in deferred tax liabilities that arises from the reduction in the US federal rate of tax.

The effective tax rate on underlying profit before tax is expected to remain in line with the 2017 rate of 26% despite the recent change in the headline rate of corporation tax in the US from 35% to 21%. This is due to other aspects of the tax legislation, which have the effect of broadening the US tax base.

Basic EPS

The average number of shares used for the basic EPS calculation of 551.8m reflects the 554.1m shares in issue less the 1.9m held by the Employee Benefit Trust (EBT) at the beginning of the year, less the time apportioned element of the 0.7m shares acquired by the EBT to satisfy deferred share awards made to senior management.

Cash Flow

The reported cash flow is shown in the Consolidated Financial Statements and further analysis is provided in Note 13 to the Consolidated Financial Statements[1].

£m	**2017**	**Reported (TP plc only) 2016**
Underlying operating profit	**263**	132
Share-based compensation and other non-cash items Depreciation and amortisation	**6**	5
	41	16
EBITDA	**310**	153
Capital expenditure (net of disposals)	**(41)**	(17)

Change in initial contract prepayments	**(26)**	-
Other working capital	**(33)**	(6)
Underlying operating cash flow	**210**	130
Cost improvement programme: 2017	**(32)**	-
Prior cost improvement programmes	**(3)**	(22)
Other exceptionals	**(1)**	-
ICAP integration costs	**(73)**	(17)
ICAP acquisition costs	**(6)**	(11)
Share award purchases	**(4)**	(6)
Share issue costs	**(7)**	-
Net interest	**(19)**	(19)
Taxation	**(27)**	(17)
Dividends from associates and joint ventures	**13**	2
Dividends and repayment of equity	**(7)**	(1)
Acquisition consideration and investments (net of disposals)	**(6)**	(3)
Underlying cash flow	**38**	36

1 The net decrease in cash and cash equivalents of £46m in the consolidated cash flow statement is after additional cash flows reflecting dividend payments of £58m, net receipts from changes in debt of £27m, cash acquired with subsidiaries of £1m and the outflow of £54m relating to the purchase of financial assets.

The underlying operating cash flow in 2017 of £210m represents a conversion of 80% (2016: £130m and 98%) of underlying operating profit into cash.

Capital expenditure of £41m includes the development of our electronic broking capabilities including 'straight through processing' technology, investment in IT and communications infrastructure, as well as property-related capital expenditure for office moves.

Initial contract payments (ICPs) increased in 2017 as the business looked to lock in brokers on long-term contracts that reflects increased market competition for their services. ICPs are amortised over the life of the contract, typically three years, so this increased expenditure will impact the reported level of broker compensation in future years.

The other working capital outflow in 2017 primarily reflects an increase in trade receivables as some customers have experienced delays in their payment cycles and bonus payments in respect of the strong performance in the final quarter of 2016.

The £32m cash outflow for the 2017 cost improvement programme reflects the charge in the income statement.

ICAP integration expenditure of £73m is lower than the £79m charged in the income statement. The income statement charge also includes the write off of intangible assets and the share based payment charge relating to the transformational Long Term Incentive Plan (LTIP).

The Group paid £4m to purchase its own shares in order to satisfy deferred share awards made to senior management during the year. Included within 2017 was also a £7m cash outflow for stamp duty paid on the shares acquired as part of the ICAP transaction and charged to equity in 2016.

Interest payments in 2017 reflect the underlying income statement charge for net cash finance expenses excluding the charge for the amortisation of debt issue costs.

Tax payments in 2017 of £27m are higher than in the prior year reflecting the inclusion of payments of the acquired ICAP companies

The £6m of acquisition consideration and investments cash outflow in 2017 is deferred consideration in relation to the MOAB and Creditex acquisitions, an initial upfront payment for COEX Partners Limited, and investments in Glia Ecosystems and LiquidityChain.

The movement in cash and debt is summarised below.

£m	**Funds[1]**	**Debt**	**Net**
At 31 December 2016	786	(547)	239
Cash flow	38	-	38
Dividends	(58)	-	(58)
Sterling notes issue	500	(500)	-
Bank debt repayment	(470)	470	-

Sterling note issue costs	(3)	3	-
Amortisation of debt and facility fees	-	(3)	(3)
Accrued interest	-	(12)	(12)
Effect of movements in exchange rates	(33)	-	(33)
Acquired with subsidiaries	1	-	1
At 31 December 2017	761	(589)	172

Note:

[1] Includes cash and financial assets.

The Group holds cash for regulatory capital, liquidity and margin calls and for working capital. £619m of cash is currently held in 56 regulated entities that hold the bulk of this cash to meet regulatory requirements and for liquidity purposes. Cash is also held in these entities for working capital purposes and there is also a small amount of excess cash, which represents accrued profits that will in due course be distributed to the parent company. £114m of cash is held in non-regulated entities include the data sales business and employee service companies. The cash held in these entities is held for working capital purposes and also includes Data & Analytics accrued profits that have yet to be distributed. Finally the Group holds £28m of cash in corporate entities which represents cash available for general corporate purposes.

Debt finance

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

	At 31 December 2017 £m	**At 31 December 2016 £m**
5.25% Sterling Notes June 2019	**80**	80
5.25% Sterling Notes January 2024	**500**	-
Bank bridge loan	**-**	470
Accrued interest on 5.25% Sterling Notes January 2024	**12**	-
Unamortised debt issue costs	**(3)**	(3)
	589	547

In January 2017, the Company issued a seven year 5.25% Sterling Notes to repay the £470m bank bridge loan.

The Group has a £250m Revolving Credit Facility maturing in April 2019. The facility was undrawn as at 31 December 2017.

Exchange and hedging

The income statements and balance sheets of the Group's businesses whose functional currency is 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		**Year end**	
	2017	**2016**	**2017**	**2016**
USD	**$1.29**	$1.37	**$1.35**	$1.24
Euro	**€1.15**	€1.23	**€1.13**	€1.17

Pensions

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

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.

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 2017 was £260m (31 December 2016: £317m). The decrease reflects the investment return on the assets less amounts paid as benefits and transfers and the effect of the bulk annuity transaction explained below. The value of the scheme's liabilities at the end of December 2017, calculated in accordance with IAS 19, was £203m (31 December 2016: £217m). 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 2.4% (31 December 2016: 2.5%). Under IAS 19, the scheme shows a surplus, before the related deferred tax liability, of £57m at 31 December 2017 (31 December 2016: £100m).

On 11 May 2017 the Group announced that the Trustees had insured the defined benefit liabilities of the scheme through a bulk purchase annuity transaction with Rothesay Life for the payment of a premium of £270m to insure all scheme liabilities, which had an accounting value of £214m at that time. The policy is in the name of the scheme and is a scheme asset. The purchase of the policy represents a bulk annuity 'buy-in' and has been accounted for in accordance with the requirements of IAS 19 'Employee Benefits'. Under IAS 19, the accounting value of the purchased policy is set to be equal to the value of the liabilities covered, calculated using the current IAS 19 actuarial assumptions for the defined benefit obligation. As the actual purchase price of the policy was higher than the accounting value of the policy, a reduction of £56m in the Scheme's assets was recorded. This reduction is included within the Return on Scheme assets (excluding deemed interest) and reported as part of the Group's 're-measurement of defined benefit pension schemes' included within the Consolidated Statement of Comprehensive Income.

Regulatory capital

The Group's lead regulator is the Financial Conduct Authority ('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 either a limited activity or a limited licence firm and must comply with its individual regulatory capital resources requirements. TP ICAP, 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 and must be reduced in line with a schedule over the ten-years, with the first reduction of 25% required to be achieved by June 2019. The Group expects to achieve this reduction within its current business plan. 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 £1,702m (2016: £1,922m). 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.

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Consolidated Income Statement

for the year ended 31 December 2017

2017	Notes	Underlying £m	Acquisition, disposal and integration costs (Note 4) £m	Exceptional Items (Note 5) £m	Total £m
Revenue	3	**1,757**	**-**	**-**	**1,757**
Administrative expenses		**(1,511)**	**(128)**	**(34)**	**(1,673)**
Other operating income	6	**17**	**1**	**-**	**18**
Operating profit	4,5	**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**
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Earnings per share					
Basic	9	**33.3p**			**15.8p**
Diluted	9	**32.7p**			**15.5p**

2016					
Revenue	3	892	-	-	892
Administrative expenses		(763)	(57)	(6)	(826)
Other operating income	6	3	-	4	7
Operating profit	4,5	132	(57)	(2)	73
Finance income	7	5	-	-	5
Finance costs	8	(15)	(6)	-	(21)
Profit before tax		122	(63)	(2)	57
Taxation		(22)	5	-	(17)
Profit after tax		100	(58)	(2)	40
Share of results of associates		4	-	-	4
Profit for the year		104	(58)	(2)	44
Attributable to:					
Equity holders of the parent		103	(58)	(2)	43
Non-controlling interests		1	-	-	1
		104	(58)	(2)	44
Earnings per share					
Basic	9	42.5p			17.8p
Diluted	9	41.0p			17.2p

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Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	2017	2016
	£m	£m
Profit for the year	**87**	44
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of defined benefit pension schemes	**(45)**	6
Taxation relating to item not reclassified	**16**	(2)
	(29)	4
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale investments		
- Revaluation gains	**-**	1
- Revaluation gains transferred to income statement	**(1)**	-
Effect of changes in exchange rates on translation of foreign operations	**(93)**	59
Taxation relating to items that may be reclassified	**-**	-
	(94)	60
Other comprehensive (loss)/income for the year	**(123)**	64
Total comprehensive (loss)/income for the year	**(36)**	108
Attributable to:		
Equity holders of the parent	**(35)**	107
Non-controlling interests	**(1)**	1
	(36)	108

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Consolidated Balance Sheet

as at 31 December 2017

	Notes	**2017**	2016
		£m	£m
			(restated)[1]
Non-current assets			
Intangible assets arising on consolidation	11	**1,642**	1,712
Other intangible assets		**69**	73
Property, plant and equipment		**38**	36

Investment in associates		**52**	52
Investment in joint ventures		**24**	28
Available-for-sale investments		**19**	23
Deferred tax assets		**2**	27
Retirement benefit assets		**57**	100
Other long term receivables		**19**	18
		1,922	2,069
Current assets			
Trade and other receivables		**34,690**	23,158
Financial assets	14	**139**	90
Cash and cash equivalents	14	**622**	696
		35,451	23,944
Total assets		**37,373**	26,013
Current liabilities			
Trade and other payables		**(34,681)**	(23,242)
Interest bearing loans and borrowings	14	**(12)**	(467)
Current tax liabilities		**(46)**	(41)
Short term provisions	15	**(42)**	(21)
		(34,781)	(23,771)
Net current assets		**670**	173
Non-current liabilities			
Interest bearing loans and borrowings	14	**(577)**	(80)
Deferred tax liabilities		**(116)**	(197)
Long term provisions	15	**(19)**	(22)
Other long term payables		**(43)**	(21)
Retirement benefit obligations		**(4)**	(3)
		(759)	(323)
Total liabilities		**(35,540)**	(24,094)
Net assets		**1,833**	1,919
Equity			
Share capital		**139**	139
Share premium		**17**	17
Merger reserve		**1,378**	1,378
Other reserves		**(1,208)**	(1,111)
Retained earnings		**1,494**	1,475
Equity attributable to equity holders of the parent		**1,820**	1,898
Non-controlling interests		**13**	21
Total equity		**1,833**	1,919

1 Restated to reflect the finalisation of the acquisition of ICAP (Note 12).

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Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	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**
2017	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
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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2016											
Balance at 1 January 2016	61	17	179	(1,182)	1	16	-	1,448	540	2	542
Profit for the year	-	-	-	-	-	-	-	43	43	1	44
Other comprehensive income for the year	-	-	-	-	1	59	-	4	64	-	64
Total comprehensive income for the year	-	-	-	-	1	59	-	47	107	1	108
Dividends paid	-	-	-	-	-	-	-	(41)	(41)	(1)	(42)
Own shares acquired for employee trusts	-	-	-	-	-	-	(6)	-	(6)	-	(6)
Issue of ordinary shares	78	-	1,206	-	-	-	-	-	1,284	-	1,284
Share issue costs	-	-	(7)	-	-	-	-	-	(7)	-	(7)
Non-controlling interests arising on acquisitions	-	-	-	-	-	-	-	-	-	19	19
Credit arising on share-based payment awards	-	-	-	-	-	-	-	21	21	-	21
Balance at 31 December 2016	139	17	1,378	(1,182)	2	75	(6)	1,475	1,898	21	1,919

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Consolidated Cash Flow Statement

for the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities	13	**87**	59
Investing activities			
(Purchase)/sale of financial assets		**(54)**	2
Sale of available-for-sale investments		**4**	-
Interest received		**3**	2
Dividends from associates and joint ventures		**13**	2
Expenditure on intangible fixed assets		**(26)**	(14)
Purchase of property, plant and equipment		**(15)**	(3)
Deferred consideration paid		**(4)**	(3)
Investment in associates		**(1)**	-
Acquisition consideration paid		**(5)**	-
Cash acquired with acquisitions		**1**	316
Net cash flows from investment activities		**(84)**	302
Financing activities			
Dividends paid	10	**(58)**	(41)
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		**(4)**	(6)
Drawdown of revolving credit facility		**-**	140
Repayment of maturing Sterling Notes		**-**	(141)
Funds received from issue of Sterling Notes		**500**	-
Funds received from bank debt		**-**	470
Repayment of bank debt		**(470)**	-
Repayment of revolving credit facility		**-**	(140)
Repayment of loan acquired with ICAP		**-**	(330)
Debt issue and bank facility arrangement costs		**(3)**	(4)
Net cash flows from financing activities		**(49)**	(53)
Net (decrease)/increase in cash and cash equivalents		**(46)**	308
Net cash and cash equivalents at the beginning of the year		**696**	359
Effect of foreign exchange rate changes		**(28)**	29
Net cash and cash equivalents at the end of the year	14	**622**	696
Cash and cash equivalents		**622**	698
Overdrafts		**-**	(2)
Cash and cash equivalents at the end of the year		**622**	696
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Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

1. General information

TP ICAP plc (formerly Tullett Prebon 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 2017 or 2016, but is derived from those accounts. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 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.

(c) Presentation of the Income Statement (continued)
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 although their adoption has not had any significant impact on the Financial Statements:

- Annual Improvements to IFRS's (2014-2016 Cycle, relating to improvements effective from 1 January 2017);
- Amendments to IAS 7 'Cash flow statements' regarding disclosures; and
- Amendments to IAS 12 'Income Taxes' regarding the recognition of deferred tax assets for unrealised losses.

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
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'Operating Segments'.

Revenue arising in each geographic reportable segment is derived from four business divisions; Global Broking, Energy & Commodities, Institutional Services, and Data & Analytics. Revenue for the year ended 31 December 2016 has been classified by business division having been previously reported by the former product groupings of Energy & Commodities, Interest Rate Derivatives, Fixed Income, Treasury Products, Equities, and Information Sales and Risk Management Services.

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

	2017	2016
Revenue:	**£m**	£m
EMEA	**877**	481
Americas	**628**	280
Asia Pacific	**252**	131
	1,757	892
Operating profit:		
EMEA	**170**	98
Americas	**64**	18
Asia Pacific	**29**	16
Underlying operating profit	**263**	132
Acquisition, disposal and integration costs (Note 4)	**(127)**	(57)
Exceptional items (Note 5)	**(34)**	(2)
Reported operating profit	**102**	73
Finance income	**6**	5
Finance costs	**(36)**	(21)
Profit before tax	**72**	57
Taxation	**3**	(17)
Profit after tax	**75**	40
Share of results of associates and joint ventures	**12**	4
Profit for the year	**87**	44

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

	2017	2016
Revenue by Business Division	**£m**	£m
- Rates	**528**	215
- Credit	**117**	78
- FX & Money Markets	**218**	137
- Emerging Markets	**225**	94
- Equities	**182**	57
Global Broking	**1,270**	581
Energy & Commodities	**343**	244
Institutional Services	**32**	17
Data & Analytics	**112**	50
	1,757	892

4. Acquisition, disposal and integration costs

Acquisition, disposal and integration costs comprise:

	2017	2016
	£m	£m
ICAP acquisition costs	**-**	17
ICAP integration costs	**79**	19
Other acquisition costs	**1**	-
Acquisition related share-based payment charge	**9**	17
Amortisation of intangible assets arising on consolidation	**40**	2
Adjustment to acquisition consideration	**(1)**	2
	128	57
Other income	**(1)**	-
Finance costs (Note 8)	**-**	6
	127	63
Taxation	**(54)**	(5)
	73	58

ICAP integration costs incurred in the year can be analysed as follows:

	2017	2016
	£m	£m

Employee related costs	**35**	7
Share-based payment charge	**5**	-
Premises, equipment and other intangible assets	**3**	1
Other administrative costs	**36**	11
	79	19

5. Exceptional items

Exceptional items comprise:

	2017	2016
	£m	£m
Pension scheme settlement gains	**-**	(4)
Charge relating to cost improvement programmes	**32**	6
Charge relating to employee long-term benefits	**2**	-
	34	2
Taxation	**(10)**	-
	24	2

6. Other operating income

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

7. Finance income

	2017	2016
	£m	£m
Interest receivable and similar income	**3**	2
Deemed interest arising on the defined benefit pension scheme surplus	**3**	3
	6	5

8. Finance costs

	Underlying	Acquisition related	Total
	£m	**£m**	**£m**
2017			
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	**24**	**-**	**24**
Other interest payable	**1**	**-**	**1**
Amortisation of debt issue and bank facility costs	**3**	**-**	**3**
Total borrowing costs	**36**	**-**	**36**
2016			
Interest and fees payable on bank facilities	4	3	7
Interest payable on Sterling Notes July 2016	5	-	5
Interest payable on Sterling Notes June 2019	4	-	4
Other interest payable	1	-	1
Amortisation of debt issue and bank facility costs	1	3	4
Total borrowing costs	15	6	21

Acquisition related items in 2016 included fees and interest incurred on facilities arranged in contemplation of the acquisition of ICAP.

9. Earnings per share

	2017	2016
Basic - underlying	**33.3p**	42.5p
Diluted - underlying	**32.7p**	41.0p
Basic earnings per share	**15.8p**	17.8p
Diluted earnings per share	**15.5p**	17.2p

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

	2017	2016
	No.(m)	No.(m)
Basic weighted average shares(1)	**551.8**	242.3

	2017	2016
Contingently issuable shares	**10.9**	9.1
Diluted weighted average shares[(1)]	**562.7**	251.4

Note:
1. The 310,314,296 shares issued to acquire ICAP at the end of December 2016 have a nil weighting when calculating the weighted average number of shares as at 31 December 2016 because the shares were issued at the end of the year and none of the earnings related to the newly issued shares.

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

	2017	2016
	£m	£m
Earnings for the year	**87**	44
Non-controlling interests	**-**	(1)
Earnings	**87**	43
Acquisition, disposal and integration costs (Note 4)	**127**	63
Exceptional items (Note 5)	**34**	2
Taxation	**(64)**	(5)
Underlying earnings	**184**	103

10. Dividends

	2017	2016
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
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**	-
Final dividend for the year ended 31 December 2015 of 11.25p per share	**-**	27
Interim dividend for the year ended 31 December 2016 of 5.6p per share	**-**	14
	58	41

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 17 May 2018 to all shareholders that are on the Register of Members on 6 April 2018. This dividend has not been included as a liability in these Financial Statements.

The trustees of the Tullett Prebon plc Employee Benefit Trust 2007 have waived their rights to dividends.

11. Intangible assets arising on consolidation

	Goodwill	**Other**	**Total**
2017	**£m**	**£m**	**£m**
At 1 January 2017 (restated)[1]	**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 2017	**1,052**	**590**	**1,642**
2016			
At 1 January 2016	347	10	357
Recognised on acquisitions - ICAP (restated)[1]	689	636	1,325
Recognised on acquisitions - other	4	-	4
Amortisation of acquisition related intangibles	-	(2)	(2)
Effect of movements in exchange rates	26	2	28
At 31 December 2016 (restated)[1]	1,066	646	1,712

1 Restated to reflect the finalisation of the acquisition of ICAP (Note 12).

Other intangible assets at 31 December 2017 represent customer relationships, £561m (2016: £607m), business brands and trademarks, £21m (2016: £28m), and other intangibles, £8m (2016: £11m) that arise through business combinations. Customer relationships are being amortised over 20 years.

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

	2017
	£m
EMEA	**644**
Americas	**284**
Asia Pacific	**103**

Goodwill allocated to CGUs	**1,031**
Unallocated goodwill	**21**
	1,052

In 2016, goodwill was allocated to the Group's three regional operating segments, PVM and Brazil. During 2017, the PVM and Brazilian operations were integrated into the regional operating segments and the associated goodwill was reallocated to those segments.

The allocation of goodwill arising on the acquisition of ICAP (Note 12) has been completed during 2017. This has been allocated to the three regional operating segments that are expected to benefit from the synergies of the combination.

As at 31 December 2017 the provisional amount of goodwill arising on the acquisition of COEX (Note 12) was not allocated to a group of CGUs due to the proximity of the acquisition to the year end. As permitted by IAS 36 'Impairment of assets', allocation to relevant CGUs will be completed before the end of 2018. As the goodwill has not been allocated to relevant CGUs it has not been assessed for impairment in the current period.

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').

As at 31 December 2017 none of the Group's CGUs are impaired with the recoverable amount for each CGU having been based on its FVLCD. Two FVLCD valuation methods were used, an Income Approach and a Market Approach. Under both valuation approaches each CGU had a FVLCD in excess of its carrying value.

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 are based on the most recent financial budgets considered by the Board which are used to project cash flows for the next seven years. After this period a steady state cash flow is used to derive a terminal value for the CGU. Annual growth rates of 1.5% have been used for all CGUs with discount rates of 11% for EMEA, 12% for Americas and 13.5% for Asia Pacific. The calculations have been subject to stress tests reflecting reasonably possible changes in key assumptions. All CGUs are insensitive to reasonably possible changes in these assumptions except for Americas and Asia Pacific. Under this approach the recoverable amount for Americas exceeded its carrying value by £73m, which reduces to £nil if annual growth rates fall to negative 0.4% over the projected period, or if the discount rate increases to 13.8%. The recoverable amount for Asia Pacific exceeded its carrying value by £98m, which reduces to £nil if annual growth rates fall to negative 4.8% over the projected period, or if the discount rate increases to 19.8%. The impact on future cash flows resulting from falling growth rates does not reflect any management actions that would be taken under such circumstances.

The Market Approach was based upon a price-earnings methodology using projected earnings for each unit. Approximate price earnings multiples, validated against independent analyst information were applied to each CGU. The multiples used for both 2018 and 2019 were in the range 11.0-14.2 times earnings. All CGUs are insensitive to reasonably possible changes in the assumptions used.

12. Acquisitions

ICAP

On 30 December 2016, the Group issued 310.3m ordinary shares to acquire 100% of the share capital of ICAP Global Broking Holdings Limited ('ICAP'). The fair value of the shares issued was £1,283m, representing their market value at the date of issue. No further consideration is payable in respect of the acquisition.

The provisional fair values of ICAP's assets and liabilities at the date of acquisition were finalised as follows:

	Provisional Fair value	**Amendments**	**Final Fair value**
Net assets acquired	**£m**	**£m**	**£m**
Intangible assets relating to purchased and developed software	41	3	44
Property, plant and equipment	11	-	11
Investment in associates	45	(2)	43
Investment in joint ventures	8	20	28
Available-for-sale investments	13	-	13
Deferred tax assets	23	-	23
Trade and other receivables	13,670	(2)	13,668
Financial assets	67	-	67
Cash and cash equivalents	316	-	316
Total assets	14,194	19	14,213
Trade and other payables	(13,686)	(4)	(13,690)
Loans and borrowings	(330)	-	(330)
Current tax liabilities	(25)	1	(24)
Provisions	(14)	(15)	(29)
Retirement benefit obligations	(3)	-	(3)
Total liabilities	(14,058)	(18)	(14,076)
Net identifiable assets and liabilities	136	1	137
Non-controlling interests			(19)
Intangible assets arising on consolidation			

- Other intangible assets	636
- Deferred tax liabilities arising on other intangible assets	(160)
- Goodwill	689
Fair value of total consideration	1,283
Satisfied by:	
Issue of ordinary shares	1,283

Notes:

(1) Due the size and complexity of the acquisition and its proximity to the 2016 year end the initial accounting for the acquisition was provisional at 31 December 2016. The principal adjustments on finalising fair values were:

(a) the identification of developed software and the finalisation the fair value resulted in a £3m increase.

(b) the finalisation of the fair values attributable to investments in associates and joint ventures resulted in a £2m reduction in associates and an increase of £20m in joint ventures.

(c) the fair value of trade and other receivables reduced by £2m.

(d) the finalisation of the review of trade and other payables, and tax obligations resulted in the identification of £3m of additional liabilities.

(e) the review of long-term employee related obligations resulted in provisions of £13m, together with other provisions of £2m.

Intangible assets arising on consolidation have been allocated to: the ICAP brand, £27m; the value of customer relationships, £598m; and other intangibles having finite lives, £11m. An associated deferred tax liability of £160m was recognised on acquisition, based on the regional allocation of these assets and applicable tax rates, none of which has been offset against the Group's deferred tax assets. The balance of £689m has been recognised as goodwill, representing the value of the established workforce and the business's reputation.

The fair value of the brand has been estimated using a relief-from-royalty approach, based on empirical, market derived rates for such assets, and is sensitive to changes in the royalty rate applied. The fair value of customer relationships has been estimated using the 'multi-period excess earnings methodology' which uses the net present value of forecast, post-tax profits generated by that asset. The fair value of customer relationships is sensitive to changes in: forecast post-tax profits; the discount rate applied; the assumed useful life of the assets; the expected rate of customer attrition; and the level of contributory asset charges for the use of other assets, including a charge for the workforce.

Indemnification assets of £16m, receivable from NEX, have been recognised on acquisition and are included with trade and other receivables. The fair value of these assets reflect the fair value of the provisions against which the indemnification has been received. No contingent liabilities have been recognised at fair value as such liabilities cannot be reliably measured. Should such contingent liabilities crystallise, a further indemnification asset would be recognised to the extent covered by the relevant indemnity.

Goodwill is not expected to be deductible for tax purposes and no associated deferred tax asset has been recorded.

ICAP was not reflected in the Group's results for 2016. Had ICAP been acquired on 1 January 2016 revenue would have been £795m higher, underlying operating profit £108m higher and underlying earnings £85m higher. If the 310.3m ordinary shares issued to acquire ICAP had been issued on 1 January 2016 the basic weighted average shares (Note 9) would have been 552.6m, resulting in an underlying basic EPS 8.5p lower at 34.0p.

Acquisition costs, included in administrative expenses, amounted to £17m in 2016 and £12m in 2015. £7m of costs attributable to the issue of the ordinary shares have been expensed directly to equity.

Coex Partners Limited

In November 2017, the Group announced the acquisition of Coex Partners Limited and its subsidiaries ('Coex'). Initial cash consideration was £4m and deferred contingent consideration is payable through to the third anniversary of completion. The amount of deferred contingent consideration is dependent upon the performance of the business over the three year period and has a fair value estimated to be £16m. Determining the fair value of deferred consideration requires an estimation of future profitability over the three year period which has been based on historical and forecast outcomes. A 10% increase in revenue would result in a £1m increase in deferred consideration. The actual outcome may differ from this estimate. The initial accounting for the acquisition is provisional due to the proximity to the year end. Provisional fair values of the net liabilities acquired were £3m. Intangible assets relating to customer relationships have been provisionally recognised at £3m together with £1m of associated deferred tax liabilities. Goodwill, representing the value of the established workforce and the business's reputation, amounted to £21m.

Had Coex been acquired on 1 January 2017 underlying operating profit would have been £3m higher and underlying earnings £2m higher. Acquisition costs, included in administrative expenses, amounted to less than £1m in 2017.

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

	2017	**2016**
	£m	**£m**
Operating profit	**102**	73
Adjustments for:		
Share-based compensation expense	**10**	4
Pension scheme's administration costs	**1**	1
Depreciation of property, plant and equipment	**12**	8
Amortisation of intangible assets	**29**	8
Pension scheme settlement gains	**-**	(4)
Acquisition related share-based payment charge	**9**	17
Amortisation of intangible assets arising on consolidation	**40**	2

Loss on derecognition of intangible assets	**1**	-
Remeasurement of deferred consideration	**(1)**	2
Gain on disposal of available-for-sale investments	**(1)**	-
Non-cash movement in FVTPL balances	**(1)**	1
Increase/(decrease) in provisions for liabilities	**18**	(17)
Increase/(decrease) in non-current liabilities	**11**	(1)
Operating cash flows before movement in working capital	**230**	94
Increase in trade and other receivables	**(48)**	(18)
Increase in net settlement and trading balances	**(6)**	(2)
(Decrease)/increase in trade and other payables	**(40)**	23
Cash generated from operations	**136**	97
Income taxes paid	**(27)**	(17)
Interest paid	**(22)**	(21)
Net cash from operating activities	**87**	59

14. Analysis of net funds

	At 1 January 2017 £m	Cash flow £m	Non-cash items £m	Exchange rate movements £m	At 31 December 2017 £m
Cash	**657**	**(21)**	**-**	**(27)**	**609**
Cash equivalents	**41**	**(27)**	**-**	**(1)**	**13**
Overdrafts	**(2)**	**2**	**-**	**-**	**-**
Cash and cash equivalents	**696**	**(46)**	**-**	**(28)**	**622**
Financial assets	**90**	**54**	**-**	**(5)**	**139**
Total funds	**786**	**8**	**-**	**(33)**	**761**
Bank loan due within one year	**(467)**	**470**	**(3)**	**-**	**-**
Notes - due within one year	**-**	**-**	**(12)**	**-**	**(12)**
Notes - due after one year	**(80)**	**(497)**	**-**	**-**	**(577)**
Total debt	**(547)**	**(27)**	**(15)**	**-**	**(589)**
Total net funds	**239**	**(19)**	**(15)**	**(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 2017 cash and cash equivalents, net of overdrafts, amounted to £622m (2016: £696m). Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

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

Non-cash items represent accrued interest and the amortisation of debt issue costs.

15. Provisions

	Property	Re-structuring	Legal and other	Total
2017	**£m**	**£m**	**£m**	**£m**
At 1 January 2017 (restated)[1]	**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 2017	**5**	**27**	**29**	**61**
2016				
At 1 January 2016	6	21	2	29
Charge to income statement	1	3	2	6
Acquired with acquisitions - ICAP (restated)[1]	1	2	26	29
Utilisation of provisions	-	(22)	(1)	(23)
Effect of movements in exchange rates	1	1	-	2
At 31 December 2016 (restated)[1]	9	5	29	43

1 Restated to reflect the finalisation of the acquisition of ICAP (Note 12).

Property provisions outstanding as at 31 December 2017 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 sublease income. These leases expire in one to nine years (2016: one to ten 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 five years.

Restructuring provisions outstanding as at 31 December 2017 relate to termination and other employee related costs. The increase during the year reflects the actions taken under the Group's cost improvement programme and from the integration of ICAP. It is expected that these obligations will be discharged during 2018.

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

In February 2015 the European Commission imposed a fine of £13m (€15m) on ICAP Europe Limited ('IEL') for alleged competition violations in relation to the involvement of certain of IEL's brokers in the attempted manipulation of Yen LIBOR by bank traders between October 2006 and January 2011. While this matter relates to alleged conduct violations prior to completion of the Company's acquisition of ICAP, the Company notes that the fine imposed by the European Commission has been appealed, seeking a full annulment of the Commission's decision. This is recognised as a provision of £13m as at 31 December 2017. 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 will serve its reply during April 2018.

16. Contingent liabilities

FCA investigation

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

Bank Bill Swap Reference Rate case

On 16 August 2016, a litigation was filed in the United States District Court for the Southern District of New York naming the Company, ICAP plc, ICAP Australia Pty LTD and Tullett Prebon (Australia) Pty. Limited as defendants together with various Bank Bill Swap Reference Rate ('BBSW') setting banks. The complaint alleges collusion by the defendants to fix BBSW-based derivatives prices through manipulative trading during the fixing window and false BBSW rate submissions. Each of the defendants named above intend to defend the litigation vigorously. It is not possible to predict the ultimate outcome of the litigation or to provide an estimate of any potential financial impact.

Labour claims - ICAP Brazil

ICAP do Brasil Corretora De Títulos e Varoles Mobiliários Ltda ('ICAP Brazil') is a defendant in 19 pending lawsuits filed in the Brazilian Labour Court by persons formerly associated with ICAP Brazil seeking damages under various statutory labour rights accorded to employees and in relation to various other claims including wrongful termination, breach of contract and harassment (together the 'Labour claims'). The Group estimates the maximum potential aggregate exposure in relation to the Labour claims, including any potential social security tax liability, to be BRL 57m (£13m). The Group is covered by an indemnity from NEX in relation to any outflow in respect of materially all of these Labour claims insofar as they relate to periods prior to completion of the Group's acquisition of ICAP.

Flow case - Tullett Prebon Brazil

In December 2012, Flow Participações Ltda. and Brasil Plural Corretora de Câmbio, Títulos e Valores ('Flow') initiated a lawsuit against Tullett Prebon Brasil S.A. Corretora de Valores e Câmbio and Tullett Prebon Holdings do Brasil Ltda alleging that the defendants have committed a series of unfair competition misconducts, such as the recruitment of Flow's former employees, the illegal obtainment and use of systems and software developed by the plaintiffs, as well as the transfer of technology and confidential information from Flow and the collusion to do so in order to increase profits from economic activities. The amount currently claimed is BRL 196m (£44m). The Group intends to vigorously defend itself but there is no certainty as to the outcome of these claims. The case is currently in an early evidentiary phase and it is stayed pending discussion before the Superior Court of Justice regarding the production of evidence. Therefore, the case is not anticipated to be resolved in 2018.

ISDA Fix

The CFTC and other government agencies have requested information from the NEX Group in relation to the setting of the US dollar segment of a benchmark known as ISDA Fix. ICAP plc's successor firm, NEX, continues to co-operate with the agencies' inquiries into the setting of that rate. ICAP Capital Markets LLC ('ICM') was the collection agent for ISDA Fix panel bank submissions in US dollars, but was not a panel member itself. It is not possible to predict the ultimate outcome of the

CFTC investigation or to provide an estimate of any potential financial impact. In September and October 2014, five class actions were filed alleging injury due to purported manipulation of the USD ISDA Fix rate. ICM is a defendant in those actions, which have now been consolidated into a single action, along with several ISDA Fix panel banks.

Pursuant to the terms of the sale and purchase agreement between the Company and NEX it was agreed that ICM would transfer its activities and business to the Company but that ICM would not be transferred to the Company's ownership at completion. It was further agreed that in the event of any claims or losses arising in relation to ISDA Fix, these would be for the account of NEX. It is not possible to predict the ultimate outcome of the litigation or the CFTC's enquiries or to provide an estimate of any potential financial impact.

The Company and its Group may nevertheless suffer financial loss either directly or as a consequence of damage to its reputation as a result of these matters.

Swaps civil litigation

In December 2016, ICAP SEF (US) LLC and ICAP Global Derivatives Limited were named in a class action alleging that they and certain dealer banks colluded to prevent buy side customers from accessing all-to-all anonymous electronic trading platforms and therefore prevented buy side customers from getting access to the best interest rate swap prices. The actions generally asserted claims of violation of antitrust laws and unjust enrichment. Each of ICAP SEF (US) LLC and ICAP Global Derivatives Limited intend to defend these litigation claims vigorously. It is not possible to predict the ultimate outcome of the litigation or to provide an estimate of any potential financial impact. The Company expects that it will benefit from the warranty provisions of the sale and purchase agreement with NEX such that any outflow in respect of the ICAP entities with regard to this litigation will be borne by NEX. In July 2017, the Court dismissed the claims against ICAP SEF (US) LLC and ICAP Global Derivatives Limited. No subsidiary of the Group is therefore currently named as a defendant in relation to this class action.

LIBOR Class actions

The Group is currently defending two LIBOR related actions.

(i) Stichting LIBOR Class Action

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

(ii) Swiss LIBOR Class Action

On 4 December 2017, a class of plaintiffs filed a Second Amended Class Action Complaint in the matter of Sonterra Capital Master Fund Ltd. et al. v. Credit Suisse Group AG et al. naming as defendants, among others, TP ICAP plc, Tullett Prebon Americas Corp., Tullett Prebon (USA) Inc., Tullett Prebon Financial Services LLC, Tullett Prebon (Europe) Limited, Cosmorex AG, ICAP Europe Limited, and ICAP Securities USA LLC (together, the 'Companies'). The Second Amended Complaint generally alleges that the Companies conspired with certain bank customers to manipulate Swiss Franc LIBOR and prices of Swiss Franc LIBOR based derivatives by disseminating false pricing information in false run-throughs and false prices published on screens viewed by customers in violation of the Sherman Act (anti-trust) and RICO. The Companies intend to contest liability in the matter and to vigorously defend themselves. A briefing schedule has been agreed in connection with a motion to dismiss that the Companies intend to make on both jurisdictional and substantive grounds. It is not possible to predict the ultimate outcome of this action or to provide an estimate of any potential financial impact.

General note

From time to time the Company's subsidiaries are engaged in litigation in relation to a variety of matters, and it is required to provide information to regulators and other government agencies as part of informal and formal enquiries or market reviews. The Company's reputation may also be damaged by any involvement or the involvement of any of its employees or former employees in any regulatory investigation and by any allegations or findings, even where the associated fine or penalty is not material.

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

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

The Group operates in a wide variety of jurisdictions around the world and uncertainties therefore exist with respect to the interpretation of complex tax laws and practices of those territories. The Group establishes provisions for taxes other than current and deferred income taxes, based upon various factors which are continually evaluated, if there is a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

17. Events after the balance sheet date

Acquisition of SCS Commodities Corp

In January 2018, the Group announced the acquisition of SCS Commodities Corp ('SCS'). Initial cash consideration was US$8m (£6m) and deferred contingent consideration is payable through to the third anniversary of completion. The amount of deferred contingent consideration is dependent upon the performance of the business over the three year period and has a fair value estimated to be $4m (£3m). The estimated fair value of the net assets acquired were US$1m (£1m). Intangible assets, relating to customer relationships, are estimated to be $1m (£1m) with provisional goodwill, representing the value of the established workforce and the business's reputation, amounting to US$10m (£7m).

Acquisition costs, included in administrative expenses, amounted to less than £1m in 2017.

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 10 May 2018 at 12.45pm.

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 2017.

The preliminary statement of annual results for the year ended 31 December 2017 includes strategic, operational, integration and financial highlights, the dividend statement, the Chief Executive's review, financial and operating review, the consolidated financial statements and disclosures required by the Listing Rules.

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 13 March 2018. 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 a majority of the Group's broking revenue. 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 increases due to potential fraud or error where the invoice becomes past due or where post year-end trade adjustments or credit notes arise.
How the scope of our	We assessed the design and implementation of relevant controls relating to Name Passing invoicing and cash collection.

audit responded to the key audit matter	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 assessed the recognition of Name Passing revenue to ensure it was in line with the Group's accounting policy.
Key observations	Our testing of the effectiveness of internal controls over Name Passing invoicing and cash collection identified no issues. During 2017 the Group continued to implement improvements in controls over trade amendments. As the improved controls were not in place throughout the year and 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.

Annual impairment test	
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 £1,052m, other intangible assets arising on consolidation of £590m 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 fair value less costs to sell approach was used to assess the recoverable amount of all CGUs. Both an income and market approach were used to estimate the fair value less costs to sell valuation. The income approach discounts expected future cash flows and requires the selection of suitable discount rates and forecast future growth rates and is therefore inherently subjective. The market approach uses a price-earnings multiple which is judgemental. The market approach uses a price-earnings multiple which is judgemental. The fair value less costs to sell of each CGU is sensitive to changes in underlying assumptions. No impairment was recorded in the year for any of the CGUs.
How the scope of our audit responded to the key audit matter	We performed detailed analysis and challenge of the Group's assumptions used in the annual impairment review, in particular forecast future growth rates, the cash flow projections, discount rates and price-earnings multiples 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 and price-earnings multiples to available external peer group data. As the impairment test using the income approach for the Asia Pacific CGU was sensitive to changes in the growth rate assumption and the Americas CGUs was sensitive to changes in the growth rate and discount rate assumptions, we assessed the point at which an impairment would occur and considered whether this was a reasonably possible change which required additional disclosure in the financial statements.

Annual impairment test (continued)	
Key observations	We concluded that the Directors' impairment test was appropriate and that no impairment of goodwill and other intangibles has arisen. The cash flow forecasts used in the annual impairment review were consistent with the most recent financial budgets considered by the Board and were reasonable in the context of recent business performance. The discount rates and price-earnings multiples used by the Group are within a reasonable range of rates implied by both our internally derived discount rates and peer benchmarks. The growth rates used by management are reasonable. The financial statements disclose that, when using an income approach to estimate fair value less costs to sell, a reasonably possible change in the growth rate assumptions for the Asia Pacific CGU and the growth rate and discount rate assumption for the Americas CGU would result in the carrying value of these CGUs exceeding their recoverable amount. We consider that such disclosure is appropriate.

Finalisation of the provisional accounting for the ICAP acquisition	
Key audit matter description	The Group had a period of up to 12 months to finalise the accounting for the acquisition of ICAP in accordance with IFRS 3. The accounting has now been finalised and resulted in a restatement of the prior year balance sheet to recognise an increase of £19m in the fair value of assets acquired, an increase of £18m in the fair value of liabilities acquired and a net reduction in intangible assets arising on consolidation of £1m. As set out in note 12, the increase in the fair value of assets acquired includes £3m in respect of the valuation of software and £18m for associates and joint ventures. The increase in the fair value of liabilities includes £13m for an employee related provision not previously recognised. The amounts are subject to estimation risk and there is a risk that the fair value adjustments are not complete. The Directors engaged external specialists to support their assessment of the valuation of software and associates and joint ventures.
How the scope of our audit responded to the key audit matter	We assessed the design and implementation of relevant controls relating to the finalisation of the provisional accounting for the ICAP acquisition. We audited the Group's finalisation of the accounting for the ICAP acquisition, specifically focusing on the valuation and completeness of fair value adjustments. Our audit procedures included: • assessing the objectivity and expertise of the Group's external specialist, meeting with them to discuss their approach and the findings within their final report; • engaging our own valuation specialists to challenge the methodology and assumptions used in the valuation of software and associates and joint ventures through comparison to industry practice; • re-performing the calculation of the employee related provision in accordance with the relevant recognition criteria and reconciling a sample of underlying inputs to internal records and third party evidence; and • testing the completeness and accuracy of information used in determining fair value adjustments. We have challenged whether further fair value adjustments are required to the assets and liabilities of ICAP by reference to the requirements of IFRS and our understanding of the ICAP balance sheet based on the known facts and circumstances.

Key observations	We considered the adjustments to the valuation of the software, associates and joint ventures and provisions to be appropriate. No further material fair value adjustments were identified through our testing.

Presentation and disclosure of Cost Improvement Programme ("CIP") and integration related items	
Key audit matter description	The Group reports profit before "exceptional items" of £34m before taxation and "acquisition, disposal and integration related items" of £127m before taxation of which £79m related to integration. Substantially all exceptional items are those related to the 2017 CIP. There is a risk that items that reflect the underlying performance of the Group are incorrectly presented as CIP and 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 in the Annual Report.
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 CIP and integration related. For a sample of items we obtained supporting evidence to confirm whether the items related to CIP or integration or should be presented as part of the Group's underlying results. We read the Annual Report and 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 CIP and integration related items that should be presented in underlying results. 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
13 March 2018

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