

TULLETT PREBON (SECURITIES) LIMITED

**Annual Report and Financial Statements**  
**for the year ended 31 December 2016**

Registered number: 2670499

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# TULLETT PREBON (SECURITIES) LIMITED

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## **TULLETT PREBON (SECURITIES) LIMITED**

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### **STRATEGIC REPORT**

#### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

Tullett Prebon (Securities) Limited (the “Company”), incorporated in England and Wales, is a wholly-owned subsidiary within the TP ICAP plc group (the “Group”), (formerly known as Tullett Prebon plc group) and operates as part of the Group’s European inter-dealer broker (“IDB”) business.

The Company is a member of The International Capital Market Association, Eurex, ICE Futures Europe, Euronext Paris, Euronext Amsterdam, Nasdaq Commodities and the European Energy Exchange.

It is authorised and regulated by the Financial Conduct Authority.

The Company’s principal activity is that of an intermediary in wholesale financial markets facilitating the trading activities of its clients, in particular commercial and investment banks. The business in this entity covers the following product groups: Rates, Credit and Volatility. The Company operates a hybrid business model with liquidity pools being managed by voice brokers supported by proprietary screens which display historical data, analytics and real time prices.

The level of activity in the wholesale OTC financial markets during much of 2016 continued to be under pressure from the cyclical and structural factors affecting the interdealer broker industry. Volatility, and the steepness and absolute level of yield curves, are key drivers of activity in the financial markets. Measures of financial market volatility were broadly similar during 2016 to the prior year, and volatility and trading volumes in many product areas continued to be sporadic. Interest rates for many of the major currencies fell further during 2016, although with little change in the “shape” of yield curves, we have not seen much change in the spread between short and longer term rates. However, the increase in interest rates in the United States towards the end of the year, together with other market events, including the “Brexit” referendum and the US presidential election in November, drove a pick-up in activity in the last quarter.

As shown in the Company’s profit and loss account on page 7, the Company’s revenue has increased by 1.6% compared with 2015 to £68,108,000. The Company’s operating profit for the year ended 31 December 2016 was £3,752,000, an increase of £6,582,000 from the operating loss of £2,830,000 in 2015. The operating profit margin for the year increased to 5.5% (2015: loss of 4.2%) primarily as a result of lower staff costs and restructuring expenses.

The balance sheet on page 9 of the financial statements shows that the Company’s net assets have increased to £60,404,000 (2015: £45,198,000) primarily as a result of increased retained earnings and a capital injection. Cash balances have increased by £12,678,000 compared to 2015. The net current assets have increased to £60,442,000 (2015: £46,963,000) and are sufficient to meet all existing liabilities as they fall due.

The Company’s Frankfurt and Geneva branches continued in operation throughout 2016.

The Group manages its European IDB operations on a regional basis. For this reason, the Company’s directors believe that further key performance indicators at a company level are not necessary or appropriate for an understanding of the development, performance or position of the business.

The performance of the European IDB region, which includes the Company, is detailed in the Group’s Annual Report which does not form part of this report.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The key risks which the Company faces in its day to day operations can broadly be categorised as credit, market, operational, liquidity, strategic and business risk.

Market risk is the vulnerability of the Company to movements in the value of financial instruments. Market risk can arise in those instances where one or both counterparties in a Matched Principal transaction fail to fulfil their obligations (i.e. an initially unsettled transaction) or through trade mismatches or other errors. The risk in these situations is restricted to short-term price movements in the underlying securities held or to be delivered by the Company and movements in foreign exchange rates.

## **TULLETT PREBON (SECURITIES) LIMITED**

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### **STRATEGIC REPORT**

Credit risk is the risk of financial loss to the Company in the event of non-performance by a client or counterparty with respect to its contractual obligations to the Company. As the Company's business is contracted on an agency or intermediary basis, the main credit risk is more akin to a market risk, as the exposure in such cases is to movements in securities prices and foreign currency. A portion of transactions brokered by the Company are on a Name Passing basis, where the Company acts as agent in arranging the trade. Whilst the Company does not suffer any exposure in relation to the underlying instrument brokered (given that the Company is not a principal to the trade), it is exposed to the risk that the client fails to pay the brokerage it is charged.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people activities, systems or external events. Operational risk covers a wide and diverse range of risk types and the overall objective of the Company's approach to operational risk management is not to attempt to avoid all potential risks but to proactively identify and assess risk and risk situations in order to manage them in an efficient and informed manner.

Liquidity risk is the risk that the Company, in periods of corporate or market volatility, will not have access to an appropriate level of cash or funding to enable it to finance its ongoing operations and any other reasonable unanticipated events on cost effective terms. Cash and cash equivalent balances are held with the primary objective of capital security and availability, with a secondary objective of generating returns. Funding requirements and cash and equivalent exposures are monitored by the Group Finance and Operations departments.

Capital management risk is the risk arising from failure to maintain adequate levels of capital. The Company is exposed to the risk of new regulations imposing a fundamental change to the structure or activity of financial markets which could result in the obligation to hold punitive levels of regulatory capital. The Company monitors closely regulatory developments in its markets and is actively involved in consultation and rule setting processes so as to ensure an informed debate of all regulatory issues potentially affecting the IDB markets, both on an individual firm basis and through trade associations. The Company board also undertakes an informed assessment of whether the Company holds sufficient capital in the context of the Company's overarching business objectives, the nature of its business model and risk profile, and its risk management framework. The Company has maintained appropriate financial resources throughout the year.

Strategic and business risk is the risk that the Company's ability to do business might be damaged as a result of its failure to adapt to changing market dynamics, customer requirements or the way OTC markets and their participants are regulated.

Management in front office and support functions have the day-to-day responsibility for ensuring that the Company operates in accordance with the Enterprise Risk Management Framework which includes policies and procedures for these key risks. Further details of the Enterprise Risk Management Framework are outlined in the Group's Annual Report, which does not form part of this report.

### **FUTURE DEVELOPMENTS**

The directors expect the general level of activity to remain consistent in the forthcoming year.

The directors have evaluated subsequent events through to the date the financial statements were available to be issued. No significant events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.



**T F Brill**  
Company Secretary  
17 March 2017

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Level 37  
25 Old Broad Street  
London  
EC2N 1HQ  
Registered No:  
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## **TULLETT PREBON (SECURITIES) LIMITED**

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### **DIRECTORS' REPORT**

The directors present their Annual Report and financial statements for the year ended 31 December 2016.

#### **FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE**

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on page 2.

#### **RESEARCH AND DEVELOPMENT**

During 2016 the Company did not have any significant research and development activities. All research and development activities are carried out in Tullett Prebon Group Limited. This cost is recovered by Tullett Prebon Group Limited by way of a management charge to the Company.

#### **EXISTENCE OF BRANCHES OUTSIDE THE UK**

The company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK as follows:

- Switzerland, Geneva
- Germany, Frankfurt

#### **GOING CONCERN**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1, accounting policies in the financial statements on page 11.

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company's activities expose it to a number of financial risks including market risk, credit risk and liquidity risk. Details of financial risks are included in the Strategic report.

#### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £2,719,000 (2015: loss of £2,490,000) and will be transferred to reserves.

The directors did not pay an interim dividend for 2016 (2015: £2,500,000). The directors do not propose a final dividend for 2016 (2015: £nil).

#### **DIRECTORS**

The directors, who served throughout the year except as noted, were as follows:

P J Ashley	G H Martin
J Birkholz	R W Osborne
P S Dunkley	A A Polydor
S C Duckworth (appointed 16 March 2016)	N J J Potter
D M D Goodchild (appointed 27 October 2016)	A J D Wink (resigned 3 October 2016)
A C Hadley (resigned 31 October 2016)	

#### **DIRECTORS INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

#### **POLITICAL CONTRIBUTIONS**

The Company did not make any political donations during the year (2015: £nil).

## **TULLETT PREBON (SECURITIES) LIMITED**

### **DIRECTORS' REPORT**

#### **DISABLED EMPLOYEES**

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

#### **EMPLOYEE CONSULTATION**

Details of the number of employees and related costs can be found in note 3 to the financial statements on page 15.

The Company participates in the Group's policies and practices relating to current and prospective employees. These policies and procedures are outlined in the Group's Annual Report which does not form part of this report.

#### **AUDITOR**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Pursuant to s386 of the Companies Act 1985, an elective resolution was passed on 17 March 2005 dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2007. Therefore Deloitte LLP are deemed to continue as auditors.

#### **APPROVAL OF REDUCED DISCLOSURES**

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12 in relation to disclosures in respect of share based payments, presentation of cash flow statement and remuneration of key management personnel. The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by Tullett Prebon Investment Holdings Limited, as the immediate parent of the entity.

Approved by the Board and signed on its behalf by



**T F Brill**  
Company Secretary  
17 March 2017

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## **TULLETT PREBON (SECURITIES) LIMITED**

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### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Tullett Prebon (Securities) Limited**

We have audited the financial statements of Tullett Prebon (Securities) Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet and the Statement of Changes in Shareholder's Fund and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely 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 this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

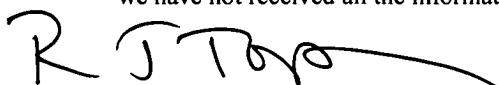
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Robert Topley FCA (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London, United Kingdom  
Date: 17 March 2017

**TULLETT PREBON (SECURITIES) LIMITED****PROFIT AND LOSS ACCOUNT**

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
<b>TURNOVER</b>	2	68,108	67,051
Staff costs	3	(35,150)	(45,014)
Administrative expenses		(29,830)	(25,554)
<b>Total administration expenses</b>		(64,980)	(70,568)
Other operating income		624	687
<b>OPERATING PROFIT/(LOSS)</b>		3,752	(2,830)
Finance costs (net)	4	(56)	(133)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	3,696	(2,963)
Tax (charge)/ credit on profit/(loss) on ordinary activities	7	(977)	473
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		2,719	(2,490)

Profit for the current and loss for the preceding year relates solely to continuing operations.

**TULLETT PREBON (SECURITIES) LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2016

	<b>2016</b>	<b>Restated</b>
	<b>£000</b>	<b>2015</b>
		<b>£000</b>
<b>Profit/(loss) for the financial year</b>	2,719	(2,490)
Foreign exchange translation differences on foreign currency net investment in branches	(134)	(161)
Other comprehensive loss	(134)	(161)
<b>Total comprehensive income/(loss) attributable to the equity shareholder of the Company</b>	<b>2,585</b>	<b>(2,651)</b>

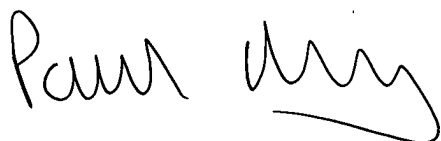
Note on restatement: the restatement relates to 2015 share based payment credit of £115,000 previously disclosed in this statement now included in the statement of changes in shareholder's funds.

**TULLETT PREBON (SECURITIES) LIMITED****BALANCE SHEET**

as at 31 December 2016

	Note	2016 £000	Restated 2015 £000
<b>FIXED ASSETS</b>			
Tangible assets	9	450	551
		<u>450</u>	<u>551</u>
<b>CURRENT ASSETS</b>			
Debtors due within one year	10	1,140,955	735,745
Cash at bank and in hand	11	44,752	32,127
		<u>1,185,707</u>	<u>767,872</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(1,125,265)</u>	<u>(720,909)</u>
<b>NET CURRENT ASSETS</b>		<u>60,442</u>	<u>46,963</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>60,892</u>	<u>47,514</u>
<b>PROVISIONS FOR LIABILITIES</b>	14	<u>(488)</u>	<u>(2,316)</u>
<b>NET ASSETS</b>		<u>60,404</u>	<u>45,198</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	15	11,606	11,606
Share premium account		18,595	6,095
Profit and loss account		30,203	27,497
<b>SHAREHOLDER'S FUNDS</b>		<u>60,404</u>	<u>45,198</u>

The financial statements of Tullett Prebon (Securities) Limited (registered number 2670499) were approved by the Board of Directors and authorised for issue on 17 March 2017. They were signed on its behalf by:



P J Ashley  
Director

**TULLETT PREBON (SECURITIES) LIMITED****STATEMENT OF CHANGES IN SHAREHOLDER'S FUNDS**  
for the year ended 31 December 2016

	<b>Called-up share capital</b>	<b>Share premium account</b>	<b>Profit and loss account</b>	<b>Total shareholder's funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January 2015</b>	11,606	6,095	32,533	50,234
Loss for the financial year	-	-	(2,490)	(2,490)
Foreign exchange translation differences on foreign currency net investment in branches (restated)	-	-	(161)	(161)
Share based payment credit (restated)	-	-	115	115
Dividends paid on equity shares (see note 8)	-	-	(2,500)	(2,500)
<b>At 31 December 2015</b>	11,606	6,095	27,497	45,198
Profit for the financial year	-	-	2,719	2,719
Issued during the year	-	12,500	-	12,500
Foreign exchange translation differences on foreign currency net investment in branches	-	-	(134)	(134)
Share based payment credit	-	-	121	121
<b>At 31 December 2016</b>	<b>11,606</b>	<b>18,595</b>	<b>30,203</b>	<b>60,404</b>

## **TULLETT PREBON (SECURITIES) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016**

#### **1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

##### ***a. General information and basis of accounting***

Tullett Prebon (Securities) Limited is a company incorporated in the United Kingdom under the Companies Act. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Tullett Prebon (Securities) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Tullett Prebon (Securities) Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Tullett Prebon (Securities) Limited is consolidated in the financial statements of its ultimate parent, TP ICAP plc (formerly known as Tullett Prebon plc), which may be obtained at: Tower 42, Level 37, 25 Old Broad Street, London, EC2N 1HQ. Exemptions have been taken in relation to disclosures in respect of share-based payments, presentation of a cash flow statement and remuneration of key management personnel.

##### ***b. Going concern***

After consideration of the Company's business review and the risks and uncertainties as set out in the Strategic Report, and having considered the Company's forecasts including the Company's liquidity and capital, the directors have a reasonable expectation that the Company 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.

##### ***c. Tangible fixed assets***

The cost of fixed assets is their purchase cost, together with any incidental costs at acquisition. Fixed assets are stated at cost less accumulated depreciation and provision for any impairment. The cost is written off in equal annual instalments based on the estimated useful lives, which are:

Plant and machinery, fixtures and fittings 3 to 5 years

##### ***d. Taxation***

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax liabilities and assets are calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## **TULLETT PREBON (SECURITIES) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2016**

#### ***e. Financial assets and financial liabilities***

The Company has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU). Financial assets and financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial instruments are derecognised when all of the derecognition criteria in IAS 39 are met and the Group no longer controls the contractual rights that comprise the financial instrument. This is normally the case when the instrument is sold, or all of the cash flows attributable to the instrument are passed through to an independent third party.

Financial assets are classified on initial recognition as 'available-for-sale', 'loans and receivables' or 'at fair value through profit and loss account'. Financial liabilities are classified on initial recognition as either at 'fair value through profit or loss' or as 'other financial liabilities'.

#### ***(i) Loans and receivables***

Loans and receivables are non-derivative financial instruments that have fixed or determinable payments that are not listed in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised using the effective interest rate, except for short term receivables when the recognition of interest would be immaterial. Settlement balances, trade receivables, loans and other receivables are classified as loans and receivables.

#### ***(ii) Derivative financial instruments***

The Company does not hold or issue derivative financial instruments for speculative purposes. Derivative financial instruments relate to simultaneous back-to-back transactions with counterparties. These transactions are classified as financial instruments at fair value through profit and loss (FVTPL) and are shown gross, except where a netting agreement which is legally enforceable at all times, exists and the asset and liability are either settled net or simultaneously.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately.

#### ***(iii) Fair value through profit or loss***

Financial assets and liabilities can be designated at fair value through the income statement where they meet specific criteria set out in IAS 39 'Financial Instruments: Recognition and Measurement' or where assets or liabilities are held for trading. Subsequent changes are recognised directly in the income statement.

#### ***(iv) Other financial liabilities and financial assets***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial assets, other than those at fair value through the income statement, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. Impairment is recognised in the income statement.

## **TULLETT PREBON (SECURITIES) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2016

#### **ACCOUNTING POLICIES (CONTINUED)**

**f. Share based payments**

The ultimate parent, TP ICAP plc, issues equity-settled share-based payments to certain of the Company's directors and employees. Equity-settled share-based payments are measured at fair value at the date of grant. Market based performance conditions for equity-settled payments are reflected in the initial fair value of the award. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on estimated number of shares that will eventually vest.

The fair value of share options issued is determined using appropriate valuation models. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The estimated fair value of shares granted is based on the share price at grant date, reduced where shares do not qualify for dividends during the vesting period. Market based performance conditions for equity-settled payments are reflected in the initial fair value of the award.

**g. Cash flow statement**

The Company is exempt from reporting a cash flow statement in accordance with FRS 102: Section 1 Scope of this Financial Reporting Standard, as the Company is a wholly-owned subsidiary of TP ICAP plc, which is registered in England and Wales and which prepares Group financial statements which are publicly available.

**h. Settlement Balances**

The Company engages in Matched Principal brokerage whereby securities are bought from one counterparty and simultaneously sold to counterparty. Settlement of such transactions typically takes place within a few business days of the transaction date according to the relevant market rules and conventions. The amounts due from and payable to counterparties in respect of as yet unsettled Matched Principal transactions are shown gross, except where a netting agreement, which is legally enforceable at all times, exists and the asset and liability are either settled net or simultaneously.

**i. Broker contract payments**

Brokers are employed on fixed term contracts. Broker contract payments made in accordance with a contract's terms that are in advance of the expected economic benefit due to the Group are accounted for as prepayments and included within prepayments and accrued income. Broker contract payments made in advance are subject to repayment conditions during the contract period and the prepayment is amortised over the shorter of the contract term and the period the payment remains recoverable. Amounts that are irrecoverable, or become irrecoverable are written off immediately. Broker contract prepayments are subject to annual impairment review.

Broker contract payments made in arrears are accrued and are included within accruals and deferred income.

**j. Related party transactions**

The Company has taken advantage of reporting exemptions in accordance with FRS 102: Section 33 Related Party Disclosures, since it is a wholly-owned subsidiary of a group where the voting rights are controlled within the Group and the Group's parent financial statements are publicly available.

**k. Provisions**

Provisions are recognised when the Company has a present obligation, legal or constructive as a result of a past event where it is probable that this will result in an outflow of economic benefits that can be reasonably estimated.

**l. Dividend policy**

Dividend income from investments is recognised when the Company's rights to receive payment have been established.

## **TULLETT PREBON (SECURITIES) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31 December 2016

#### **1. ACCOUNTING POLICIES (CONTINUED)**

##### ***m. Turnover***

Turnover comprises:

Name Passing brokerage, where counterparties to a transaction settle directly with each other. Turnover for the provision of the service of matching buyers and sellers of financial instruments is stated net of VAT, rebates and discounts and is recognised in full on trade date.

Matched Principal brokerage, turnover being the net proceeds from a commitment to simultaneously buy and sell financial instruments with counterparties, is recognised on trade date.

Executing Broker brokerage, where the Group executes transactions on certain regulated exchanges, and then 'gives-up' the trade to the relevant client, or its clearing member. Turnover for the provision of the service of matching buyers and sellers of financial instruments is stated net of sales taxes, rebates and discounts and is recognised in full on trade date.

##### ***n. Trade date accounting***

Security transactions and related income are recorded on a trade date basis.

##### ***o. Employee benefits***

Tullett Prebon (Securities) Limited participates in Tullett Prebon Group Limited's defined benefit plan and the net defined benefit cost of the plan is therefore recognised in Tullett Prebon Group Limited, as the Group entity legally responsible for the plan. Tullett Prebon (Securities) Limited recognises a cost equal to their contribution payable for the period in their profit or loss. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

##### ***p. Foreign currency***

Transactions in foreign currencies are converted at exchange rates ruling at the transaction dates.

Monetary assets and liabilities, denominated in foreign currencies at the balance sheet date are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange gains and losses are taken to the profit and loss account.

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations are translated at exchange rates prevailing on the balance sheet date. Exchange differences arising are recorded in the statement of total recognised gains and losses and transferred to the Company's profit and loss account in equity.

##### ***q. Client money***

Client money to settle transaction bargains is held separately and included in the Company's balance sheet. The net return received on managing client money is included within interest income. The Company holds money, and occasionally financial instruments, on behalf of customers (client monies) in accordance with local regulatory rules. Since the Company is not beneficially entitled to these amounts, they are excluded from the Balance Sheet along with the corresponding liabilities to customers.

##### ***r. Restricted funds***

Restricted funds comprise cash held with a central counterparty clearing house ('CCP'), or a financial institution providing the Company with access to a CCP, and funds set aside for regulatory purposes, but excluding client money. The funds represent cash for which the Company does not have immediate and direct access or for which regulatory requirements restrict the use of the cash.

## **TULLETT PREBON (SECURITIES) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2016

#### **2. Turnover and revenue**

An analysis of the Company's turnover by class of business is set out below.

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
<b>Turnover:</b>		
Europe	68,108	67,051
	<u>68,108</u>	<u>67,051</u>

An analysis of the Company's revenue is as follows:

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Brokerage fees	68,108	67,051
Turnover	<u>68,108</u>	<u>67,051</u>
Interest	71	65
Other operating income	624	687
Total revenue	<u>68,803</u>	<u>67,803</u>

#### **3. Staff numbers and costs**

Their aggregate remuneration comprised:

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Wages and salaries	30,857	39,371
Social security costs	3,798	5,064
Other pension costs	495	579
	<u>35,150</u>	<u>45,014</u>

The Company's operations are carried out by employees of the Company's branches and Tullett Prebon Group Limited. Staff costs represent amounts incurred directly or charged to the Company as a direct allocation of expenses by Tullett Prebon Group Limited. During the year, the average monthly number of employees identified as being directly involved in the operation of the Company was 153 (2015: 166 restated).

Defined contribution and defined benefit pension schemes are operated for the employees of Tullett Prebon Group Limited.

Full details of the pension schemes including the main financial assumptions for the defined benefit plan (which is closed to new members and future accrual), is disclosed in accordance with FRS 102 Section 28: Employee Benefits, in the financial statements of Tullett Prebon Group Limited.

The pension charge for the year was £495,000 (2015: £579,000) which represents a direct allocation of expenses by Tullett Prebon Group Limited to the Company.

## **TULLETT PREBON (SECURITIES) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2016

#### **3. Staff numbers and costs (continued)**

Annual awards are made under the Group's Deferred Bonus Plan that commenced in 2015.

Under this Plan, employees identified as Senior Managers have 20% of their annual discretionary bonus deferred into Equity. These awards are subject to the completion of service conditions and the fulfilment of other conduct requirements. The number of deferred shares in respect of a bonus year is determined after the close period for that year at the then market price, and vest over three years from the grant. The fair value of the deferred shares equates to the monetary value of the awards at grant date and includes the value of expected dividends that will accrue to the beneficiaries.

As part of the introduction of the Deferred Bonus Plan in 2015, a Special Award was granted to these employees. The Special Award will vest in the period to May 2018.

Deferred Bonus Plan awards will be settled by the Tullett Prebon plc Employee Benefit Trust 2007 from shares purchased by it in the open market.

47,817 awards were granted during the year. The Company recognized a share based payment expense of £121,000 (2015: £115,000) reflecting the cost attributable to its employees. Further disclosures are included in the Group's Consolidated Financial Statements

#### **4. Finance costs (net)**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Interest receivable and similar income	71	65
Interest payable and similar charges	(127)	(198)
	<u>(56)</u>	<u>(133)</u>

##### ***Interest receivable and similar income***

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Bank deposits	71	65
	<u>71</u>	<u>65</u>

##### ***Interest payable and similar charges***

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Settlement balances and bank overdrafts	(127)	(198)
	<u>(127)</u>	<u>(198)</u>

## **TULLETT PREBON (SECURITIES) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2016

#### **5. Profit/ (loss) on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
Depreciation of tangible fixed assets (note 9)	200	167
Cost improvement programme	2,131	5,094
Auditor's remuneration		
- for audit of the Company's statutory accounts	90	87
- audit related assurance services	85	49
	<u>2,306</u>	<u>5,330</u>

The cost improvement programme reflects the cost of actions taken to reduce operating costs, including redundancies and the write down of related balance sheet items.

A material portion of the Company's expenditure, including auditor's remuneration in respect of audit work, is incurred by Tullett Prebon Group Limited. This is recovered by Tullett Prebon Group Limited by way of a management charge to the Company.

#### **6. Directors' remuneration and transactions**

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
<i>Directors' remuneration</i>		
Remuneration (including pension contributions)	3,673	3,204
Company contributions to pension schemes	10	19
	<u>3,683</u>	<u>3,223</u>
	<b>Number</b>	<b>Number</b>
<b>The number of directors who:</b>		
Are members of a defined benefit pension scheme	7	7
	<u>7</u>	<u>7</u>
	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>
<b>Remuneration of the highest paid director:</b>		
Remuneration (excluding pension contributions)	1,304	798
Company contributions to pension schemes	-	6
	<u>1,304</u>	<u>804</u>

## **TULLETT PREBON (SECURITIES) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2016

#### **7. Tax charge/(credit) on profit/(loss) on ordinary activities**

The tax charge/(credit) comprises:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Current tax charge/(credit) on profit/(loss) on ordinary activities</b>		
UK corporation tax charge/(credit) on profit/(loss) for the year	909	(373)
Tax adjustment for previous period	(24)	(149)
Foreign tax	92	49
<b>Total tax on profit/(loss) on ordinary activities</b>	<b>977</b>	<b>(473)</b>

#### ***Factors affecting the current tax charge***

The tax assessed on the profit/loss on ordinary activities for the year is more than the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%).

The difference between the total tax charge/credit shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/loss before tax is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<b>Profit/(loss) on ordinary activities before tax</b>	<b>3,696</b>	<b>(2,963)</b>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax of 20% in the UK	739	(600)
Effects of:		
- Expenses not deductible for tax purposes	150	191
- Tax effect of share based payments	-	47
- Foreign tax	92	49
- Adjustment to tax in respect of previous periods	(24)	(149)
- Other	20	(11)
<b>Total tax charge/(credit) for period</b>	<b>977</b>	<b>(473)</b>

#### **8. Dividends on equity shares**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
Amounts recognised as distributions to equity holders in the period:		
Interim dividend for the year ended 31 December 2016 of £nil (2015: 21.54p) per ordinary share	-	2,500
	-	2,500

There is no proposed final dividend (2015: £nil).

**TULLETT PREBON (SECURITIES) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 2016**9. Tangible fixed assets**

	<b>Plant and Machinery, Fixtures and Fittings £000</b>
<b>Cost or valuation</b>	
At 1 January 2016	1,361
Additions	5
Exchange adjustments	226
	<hr/>
At 31 December 2016	1,592
	<hr/>
<b>Depreciation</b>	
At 1 January 2016	(810)
Charge for the year	(200)
Exchange adjustments	(132)
	<hr/>
At 31 December 2016	(1,142)
	<hr/>
<b>Net book value</b>	
At 31 December 2016	450
	<hr/>
At 31 December 2015	551
	<hr/>

## **TULLETT PREBON (SECURITIES) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2016

#### **10. Debtors**

	<b>2016</b>	<b>Restated</b>
	<b>£000</b>	<b>2015</b>
		<b>£000</b>
Amounts falling due within one year:		
Trade debtors	9,387	6,379
Settlement balances	1,027,347	674,655
Financial assets at FVTPL (see note 13)	92,269	43,632
Amounts owed by Group undertakings (see note 11)	9,393	9,779
Other debtors	114	379
Prepayments and accrued income	1,796	345
Restricted funds (see note 11)	649	576
	<u>1,140,955</u>	<u>735,745</u>

Included in settlement balances above is an amount of £917,803,000 (2015: £551,915,000) in respect of transactions not yet due for settlement. This amount represents sale of securities where settlement will take place on a delivery versus payment basis. The form of these transactions is that the Company takes temporary control until the transactions are settled. Settlement balances past due date total £109,544,000 (2015: £122,740,000), and are received in the normal course of business.

Financial assets at FVTPL arise on simultaneous back-to-back derivative transactions with counterparties. The above analysis reflects only the asset side of such transactions. Corresponding liability amounts are shown in note 12 'Creditors: amounts falling due within one year'.

#### **11. Cash at bank and in hand**

Of the £44,752,000 (2015 restated: £32,127,000) cash at bank, £26,606,000 (2015: £26,606,000) is maintained on deposit to secure an offsettable overdraft facility. At 31 December 2016 client money balances representing amounts owed to customers and held in a segregated bank account customers was £1,043,000 (2015: £990,000). Of this total, £649,000 (2015: £576,000) was reclassified to restricted funds. Restricted funds represent cash for which the Company does not have immediate and direct access or for which regulatory requirements restrict the use of the cash. The remaining balance, which is the portion on which the respective clients are known was reclassified to other creditors and amounts owed by group companies.

#### **12. Creditors**

	<b>2016</b>	<b>Restated</b>
	<b>£000</b>	<b>2015</b>
		<b>£000</b>
Amounts falling due within one year:		
Trade creditors	151	197
Settlement balances	1,027,134	674,602
Financial liabilities at FVTPL (see note 13)	92,269	43,632
Amounts owed to group undertakings	666	15
Corporation tax	246	296
Other taxation and social security	253	226
Accrual and deferred income	1,436	1,934
Other creditors (see note 11)	3,110	7
	<u>1,125,265</u>	<u>720,909</u>

Included in settlement balances above is an amount of £917,759,000 (2015: £551,843,000) in respect of transactions not yet due for settlement. Settlement balances past due date total £109,375,000 (2015: £122,759,000), and are paid in the normal course of business.

# **TULLETT PREBON (SECURITIES) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2016

### **13. Financial instruments at fair value through profit and loss**

(i) The table below reflect the contractual maturities for the offsetting derivatives:

	<b>Due within one year</b>	
	<b>2016</b>	<b>Restated</b>
	<b>£000</b>	<b>2015</b>
		<b>£000</b>
<b>Financial instruments at FVTPL</b>		
<b>Assets</b>		
Foreign currency contracts (options)	92,269	43,632
	<u>92,269</u>	<u>43,632</u>
<b>Liabilities</b>		
Foreign currency contracts (options)	92,269	43,632
	<u>92,269</u>	<u>43,632</u>

Financial instruments at fair value through the income statement represent simultaneous back-to-back derivative transactions with counterparties and are reported as separate financial assets and liabilities in the balance sheet. The transaction is subject to ISDA (International Swaps and Derivative Association) Master Netting Agreements which provide a legally enforceable right of offset on the occurrence of a specified event of default, or other events not expected to happen in the normal course of business, but are otherwise not enforceable.

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Assets</b>				
Financial instruments at FVTPL	-	92,269	-	92,269
	<u>-</u>	<u>92,269</u>	<u>-</u>	<u>92,269</u>
<b>Liabilities</b>				
Financial instruments at FVTPL	-	92,269	-	92,269
	<u>-</u>	<u>92,269</u>	<u>-</u>	<u>92,269</u>

## **TULLETT PREBON (SECURITIES) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2016

#### **13. Financial instruments at fair value through profit and loss (continued)**

	2015 Level 1 £000	Restated 2015 Level 2 £000	2015 Level 3 £000	Restated 2015 Total £000
<b>Assets</b>				
Financial instruments at FVTPL	-	43,632	-	43,632
	-	43,632	-	43,632
<b>Liabilities</b>				
Financial instruments at FVTPL	-	43,632	-	43,632
	-	43,632	-	43,632

In deriving the fair value of financial instruments at FVTPL valuation models were used which incorporated observable market data.

The restatement of prior year numbers relates to foreign currency and non-deliverable forwards previously disclosed which are now excluded. This is because all the risk that pertains to the trades resides with the prime broker and therefore do not create an open derivative position or liability for the Company and the only exposure of the Company is the cash and receivable held against the prime broker.

#### **14. Provisions for liabilities**

	<b>Restructuring £000</b>
At 1 January 2016	2,316
Charged to profit and loss account	856
Utilisation of provision	(2,788)
Exchange adjustments	104
At 31 December 2016	488

The provisions in respect of restructuring relate to costs of staff rationalisation as part of the cost improvement programme.

#### **15. Called-up share capital and reserves**

	<b>2016 £000</b>	<b>2015 £000</b>
Allotted, called-up and fully-paid		
11,606,001 ordinary shares of £1 each (2015:11,606,000)	11,606	11,606

The Company has one class of ordinary shares which carry no right to fixed income.

On 3 February 2016 the Company issued one ordinary share to Tullett Prebon Investment Holdings Limited at par value of £1 each and share premium of £12,499,999.

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses. The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

## **TULLETT PREBON (SECURITIES) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS** for the year ended 31 December 2016

#### **16. Controlling party**

The Company's immediate parent undertaking is Tullett Prebon Investment Holdings Limited.

The Company's ultimate parent and controlling party is TP ICAP plc, formerly Tullett Prebon plc.

The parent undertaking of the smallest and largest group which includes the Company for which group financial statements are prepared is TP ICAP plc.

Copies of TP ICAP plc financial statements are available from the registered office: Tower 42, Level 37, 25 Old Broad Street, London, EC2N 1HQ