

TULLETT PREBON PLC

PRELIMINARY RESULTS – for the year ended 31 December 2007

Highlights

Tullett Prebon plc today announced its preliminary results for the year ended 31 December 2007. The highlights are:

- Revenue £753.8m (2006: £654.1m) – growth of 20% at constant exchange rates
- Operating profit £131.8m (2006: £114.8m) – growth of 19% at constant exchange rates
- Adjusted* Profit before tax £114.4m (2006: £110.8m)
- Adjusted** EPS 33.5p (2006: 31.6p)

* excluding non cash gains and losses in net finance income / (expense)

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

A reconciliation of adjusted PBT and adjusted Earnings to the reported figures is shown on page 10.

Commenting on the results, Keith Hamill, Chairman of Tullett Prebon plc, said:

“Our focus in 2007 has been to prioritise growth in revenues and to develop our electronic broking capabilities, and we took a number of actions in pursuit of these objectives.

The results for 2007 overall, and particularly for the second half, are encouraging. Revenue of £754m represents growth of 20% for the year at constant exchange rates, with growth of 29% in the second half. Operating profit of £132m has grown by 19% at constant exchange rates. Adjusted basic earnings per share for the year were 33.5p.”

Terry Smith, Chief Executive, added:

“The short term outlook for financial markets continues to be characterised by uncertainty, and the volatility that we experienced in the second half of 2007 has continued into the first two months of this year. These conditions are ideal for our business, and we are increasingly well placed to benefit from them.

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

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

CHAIRMAN'S STATEMENT

This is the first set of results for Tullett Prebon plc as a standalone inter-dealer broking business, following the demerger of the Collins Stewart stockbroking business in December 2006. The demerger took place in order to enable both companies to focus on the substantial opportunities for growth available to them. During 2007 the Company made good progress towards achieving its objectives and achieved results in line with our expectations, in what were generally favourable market conditions.

In March 2007, the Company also made a repayment of surplus capital to shareholders of 142 pence per share, resulting in a total payment of just over £300m.

Our focus in 2007 has been to prioritise growth in revenues and to develop our electronic broking capabilities, and we took a number of actions in pursuit of these objectives. Firstly, in January 2007 we completed the acquisition of Chapdelaine at a cost of £49m. This has strengthened the business in North America, in corporate bonds, mortgage backed securities and credit derivatives. Secondly, we have hired a significant number of new brokers which has expanded our presence in the faster growing sectors of our market. Many of these have now started with the business. We have also hired a new team to lead our important electronic broking initiative into the next stage of its development. Thirdly, we have restructured our joint venture in Tokyo which opens up significant opportunities for further expansion.

The benefit of these initiatives has started to show through in the results for 2007, with further benefits expected to show in 2008 and beyond.

The results for 2007 overall, and particularly for the second half, are encouraging. Revenue of £753.8m (2006: £654.1m) represents growth of 20% for the year at constant exchange rates, with growth of 29% in the second half. Operating profit of £131.8m (2006: £114.8m) has grown by 19% at constant exchange rates. Operating margin at 17.5% is only slightly lower than the 17.6% for 2006 despite a significantly increased investment in the development of electronic broking. The return on average capital employed was 37% (2006: 28%).

As a result of the return of capital to shareholders, the Company's capital structure is significantly different from the previous year, and net financing costs and, therefore profit before and after tax are not comparable year on year. Nevertheless, adjusted profit before tax was £114.4m (2006: £110.8m) with adjusted basic earnings per share of 33.5p (2006: 31.6p).

The Board is recommending a final dividend of 8p per share, making the total dividend for the year 12p per share. The final dividend, if approved, will be payable on 22 May 2008 to shareholders on the register on 2 May 2008.

The Company's overall objective is to maximise returns to shareholders over the medium to long term, at an acceptable level of risk. Total shareholder return for 2007 was negative by 4.7% which compares to the return from the FTSE 250 index which was negative by 2.2% and the General Financials sector index which was positive by 5.1%. Our TSR performance reflects a relatively high share price at the start of the year and significant volatility in the shareholder register in the periods both prior to and after the demerger and return of capital. Over the last 2 years total shareholder return (calculated using the Collins Stewart Tullett share price at the start of 2006 up to the demerger and the Tullett Prebon share price thereafter) was positive by 44%, which was 16 percentage points above the return from the FTSE 250 index, although 5 percentage points below the General Financials sector index over the same period.

Current market conditions are ideal for our business and trading so far in 2008 has been encouraging. The Board continues to be confident that the outlook is positive and that the actions being taken to develop the business will create future value for shareholders.

Keith Hamill
Chairman

11 March 2008

BUSINESS REVIEW

Overview of 2007

Tullett Prebon is the world's second largest inter-dealer broker. Following the acquisition of Prebon in October 2004, the focus of the business in 2005 and 2006 was on integration of the two businesses, doubling operating margins and delivering strong cash flows. Following those achievements our objectives for 2007 were to grow revenue and to develop our electronic broking capability.

We have taken a number of actions during the year to accelerate the rate of revenue growth through a combination of broker hires, acquisitions and product development.

We have been successful in recruiting new brokers to join the business in all three geographic regions, which will enhance and broaden our product coverage and deepen liquidity pools. During 2007 we signed up 125 new brokers and over 100 of these have now started with the business, with the remainder to join over the next 15 months as they complete their existing employment obligations. Our recruitment has been particularly focused on building our presence in the newer and more rapidly growing markets such as credit, volatility and emerging markets. The revenue contribution in 2007 from these new hires was £24m, with their annualised revenue expected to be around £80m.

The acquisition of Chapdelaine was completed in January 2007 and the business was quickly and successfully integrated into our existing operations. The business in North America has benefited from the increased scale and depth of liquidity that Chapdelaine provides in corporate bonds and credit derivatives in particular. We restructured our joint venture in Tokyo at the end of 2007, and we now have management control over an enlarged business covering an increased range of products, which will enable us to develop our activities in both Tokyo and across the Asia Pacific region.

We have continued to successfully develop and launch new broking desks and services and during the year we started broking a number of new products including biofuels, nuclear fuel derivatives, central European power, coal and soft commodities.

We have invested £14.2m through the profit and loss in 2007 (2006: £4.9m) in the development of our electronic broking capability, which supports both pure electronic and hybrid models. In US dollar repo we operate a pure electronic platform on which clients trade without any voice broker intervention. We also provide clients in North America with a pure electronic platform for on-the-run US Treasuries and agencies. In FX options, for which our electronic capability has been implemented in all three operating regions, we have adopted a hybrid model, under which clients can trade directly through the platform, or through a voice broker who can also access the liquidity available on the platform. Under the hybrid model our electronic broking capability is supporting other voice broking activity in related products, and is part of the set of tools that enable the voice brokers to provide a broking service to clients. A new team with extensive experience in this area started with the business in October to lead our electronic broking initiative in the next stage of its development.

Our key financial and performance indicators for 2007 compared with those for 2006 are summarised in the tables below.

£m		2007	2006	Change	
				reported	Constant exchange rates*
Revenue	H1	371.6	348.0	+7%	+12%
	H2	382.2	306.1	+25%	+29%
	Full year	753.8	654.1	+15%	+20%
Operating Profit	H1	64.8	62.5	+4%	+8%
	H2	67.0	52.3	+28%	+31%
	Full year	131.8	114.8	+15%	+19%
Operating Margin	H1	17.4%	18.0%	-0.6% points	
	H2	17.5%	17.1%	+0.4% points	
	Full year	17.5%	17.6%	-0.1% points	

*calculated by translating the 2006 results for non-UK operations at the exchange rates used for 2007

Our performance in 2007 reflects the impact of the acquisition of Chapdelaine, the investments we have made in new broker hires and the generally favourable market conditions. As expected, our performance in the second half reflects the benefit of the investments we have made in broker hires starting to be realised, together with the helpful market conditions. Unlike most financial services businesses, the inter-dealer broker business thrives on volatility in financial markets. During the first half of 2007 levels of activity were variable, with periods of relatively subdued trading interspersed with periods of high volatility, particularly in June. This high volatility continued throughout the summer and into autumn, only slowing during December, in line with the usual seasonal trend. Our second half performance was very strong, with revenues up 29% at constant exchange rates, resulting in revenue in the second half exceeding that in the first half, the reverse of the usual seasonal trend.

Operating margin of 17.5% for 2007 is slightly lower than the 17.6% for 2006 reflecting the increased investment in the development of our electronic broking capability. The investment in 2007 is equivalent to 1.9% points of margin (2006: 0.7% points). Adjusting for this, underlying operating margin is more than one percentage point higher than for 2006 reflecting the reduction in broker employment costs as a percentage of revenue and improved support cost efficiencies as we benefit from increased scale.

	2007	2006	Change
Broker Headcount (period end)	1,636	1,512	+8%
Average revenue per broker * (£'000)	463	398	+16%
Broker employment costs : broking revenue	56.4%	57.8%	-1.4% points
Broking revenue per support staff head * (£'000)	1,136	964	+18%
* at constant exchange rates			

Broker headcount increased by 124 (+8%) during the year to 1,636 at the year end. This increase reflects the new hires, the acquisition of Chapdelaine and the inclusion of all of the headcount of the enlarged Tokyo joint venture, net of ongoing reductions in headcount in some parts of the business. As a result of the management of headcount, average revenue per broker, a measure of front office efficiency, has increased by 16% at constant exchange rates. The most significant cost in the business is broker employment costs, and in 2007 these costs were equal to 56.4% of broking revenue compared to 57.8% in 2006. Revenue per support staff head, a measure of back office efficiency, increased by 18% at constant exchange rates.

Operating Review

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

Revenue by product group	2007	2006	Change
	£m	£m	
Treasury Products	204.0	185.0	+10%
Interest Rate Derivatives	180.1	160.3	+12%
Fixed Income	210.8	173.6	+21%
Equities	81.0	39.8	+104%
Energy	63.2	57.2	+10%
Information Sales	14.7	13.2	+11%
At constant exchange rates	753.8	629.1	+20%
Translation	-	25.0	
Reported	753.8	654.1	+15%

Revenues in all product groups increased by at least 10% in 2007 compared with 2006.

There was a significant pick up in the growth rate in Treasury Products in the second half as we benefited from our strong position in FX across all three regions during a period of high market volatility.

Interest Rate Derivatives also benefited from the increased volatility in the second half and the strong underlying growth in emerging market interest rate derivatives and interest rate options.

The growth in Fixed Income includes the impact of Chapdelaine. The Fixed Income desks of Chapdelaine have been fully integrated into our existing business and it is not possible to isolate the specific impact of the acquisition. The government and agency Fixed Income markets in North America remain challenging, but having declined in the first half, revenues from these products increased by 5% in the second half. Fixed Income revenues in Europe also grew strongly in the second half after a flat first six months.

Our Equities businesses in equity derivatives and equity arbitrage have seen outstanding growth due to the sustained volatility in equity markets, with revenues nearly doubling in the second half compared to 2006. The overall growth rate is boosted by the inclusion of the cash equities business acquired with Chapdelaine. Adjusting for the acquisition, revenue growth in Equities was 58%.

Our Energy business continues to benefit from ongoing volatility in Energy markets, the increasing use of derivatives, and the extension of our product coverage.

Revenue growth in Information Sales reflects the broadening of the data we provide to our largest customer and an increase in the number of direct customers to whom we provide data feeds.

Revenue by region	2007	2006	Change
	£m	£m	
Europe	377.6	334.5	+13%
North America	300.5	231.8	+30%
Asia Pacific	75.7	62.8	+21%
At constant exchange rates	753.8	629.1	+20%
Translation	-	25.0	
Reported	753.8	654.1	+15%

In Europe revenue increased by 13% despite a relatively subdued first half, with the strong second half growth of 25% reflecting the combination of the benefit of broker hires and the favourable market conditions. The business continues to benefit from the focus on volatility products as an asset class with particularly good progress in 2007 in building our activities in equity derivatives and interest rate options. We have recently strengthened our position in credit through a significant number of hires who have now joined the business. In Energy products we broadened the business into a number of new products such as coal, emissions, biofuels and soft commodities. Although the vast majority of our revenues in Europe are generated in London we also service clients from the other financial centres in Europe and after a disappointing first half we appointed a new managing director for those centres providing new focus and resulting in a much improved performance in the second half.

In North America revenue increased by 30%, with growth in the second half of 34%. Our activities in North America have benefited from the successful integration of Chapdelaine, new broker hires in structured credit and FX products, and a strong market for most product areas, particularly in the second half. Corporate bonds and credit derivatives now represent over half of our revenue in Fixed Income in the region as a result of the acquisition of Chapdelaine and investment in broker hires. Our enlarged credit activities performed well during the year with revenue and contribution in line with the original acquisition and integration plans. Our Equities activities now include the cash equities business acquired with Chapdelaine but excluding this, our revenues from equity arbitrage and equity derivatives increased by nearly 50%.

Our strong position in the growing markets in Asia Pacific was reflected in revenue growth in the region of 21%, with growth in the second half of 28%. The three largest centres in the region, Singapore, Hong Kong and our joint venture in Tokyo, together account for over 75% of the revenue in the region, and all increased revenue by at least 25% in the year. We continued to build our presence in the region through broker hires and broadening product coverage. Our equity derivatives business in Hong Kong more than doubled in size. China's economic progress continues to stimulate the other economies in the region, and our pioneering joint venture in Shanghai, which started operations at the end of 2005, has well established market shares and is

benefiting from the development of the onshore market. We have a smaller presence in Fixed Income in the region, but we hired a new credit derivatives team who started in Singapore in October.

Operating profit by region	2007	2006	Change
	£m	£m	
Europe	75.5	65.9	+15%
North America	46.8	40.6	+15%
Asia Pacific	9.5	4.3	+121%
At constant exchange rates	131.8	110.8	+19%
Translation	-	4.0	
Reported	131.8	114.8	+15%

Operating margin by region	2007	2006	
Europe	20.0%	19.7%	
North America	15.6%	17.5%	
Asia Pacific	12.5%	6.9%	
	17.5%	17.6%	

The improvement in operating margin in Europe in 2007 reflects an underlying increase in the voice broking margin of 1%, offset by the costs of the development of electronic broking that have been incurred in the region. In 2006 all the costs of the development of electronic broking were incurred in North America. The underlying increase in margin reflects the benefit of increased revenue on an unchanged support cost base.

The operating margin decline in North America in 2007 is due to the increased investment in the development of electronic broking compared with 2006. Adjusting for this, operating margin in North America in 2007 is 19.3%, similar to the margin for 2006. The margin has not increased over 2006 primarily due to the slight dilution effect from the integration of Chapdelaine offsetting the benefit of increased scale.

In Asia Pacific the operating margin in 2007 has increased to 12.5% as the growth in revenue has been delivered at the same time as reducing broker compensation as a percentage of revenue, and with minimal increases in support costs.

Financial Review

The results for the continuing operations for 2007 compared with those for 2006 are shown in the table below.

	2007	2006
	£m	£m
Revenue	753.8	654.1
Operating profit	131.8	114.8
Cash finance income/(expense)	(17.4)	(4.0)
Adjusted Profit before tax *	114.4	110.8
Tax	(43.5)	(43.9)
Associates	0.8	-
Minority interests	(0.9)	(0.4)
Adjusted Earnings **	70.8	66.5
Adjusted Earnings per share	33.5p	31.6p

* Adjusted PBT reconciles to reported PBT as follows:

	2007	2006
	£m	£m
Adjusted Profit before tax	114.4	110.8
Non cash finance income/(expense)	(0.6)	14.2
Reported Profit before tax	113.8	125.0

** Adjusted Earnings reconciles to reported Earnings as follows:

	2007	2006
	£m	£m
Adjusted Earnings	70.8	66.5
Non cash finance income/(expense)	(0.6)	14.2
Deferred tax on non cash finance income/(expense)	(0.3)	(0.1)
Prior year tax	5.1	3.0
Capital tax	(1.6)	-
Reported Earnings	73.4	83.6

Finance Income/(Expense)

The increase in cash finance income/(expense) in 2007 compared to 2006 reflects the interest payable and fees amortisation on the facilities entered into to finance the return of capital, partly offset by increased interest receivable due to higher interest rates applicable to cash balances and a one-off interest receipt on reclaimed tax.

The non-cash finance income/(expense) represents amounts relating to the mark to market of derivative financial instruments, amortisation of discounted deferred consideration and the expected return and interest on pension scheme assets and liabilities. The non-cash finance income/(expense) in 2006 includes a £13.4m mark to market gain on the equity swap taken out by the group's Employee Share Ownership Trust in 2004 to hedge market risk on the future purchase of own shares to satisfy the vesting of awards under share option schemes. In 2007 the movement in the mark to market value of the equity swap was a loss of £0.7m. The equity swap matured in December 2007.

Tax

The effective rate of tax on adjusted PBT is 38.0% (2006: 39.6%). The reduction in the effective rate compared with 2006 results primarily from the benefit of a restructuring of intra-group financing arrangements. The effective rate is higher than the standard UK rate of 30% reflecting the profits earned in the US, where the statutory rate is 46%, and the extent of disallowable items.

Prior year tax items in both 2007 and 2006 reflect the reduction in tax provisions made in previous years as tax matters are settled, and do not relate to current period trading.

The capital tax charge of £1.6m in 2007 relates to potential charges arising from the crystallisation of value for tax purposes due to the restructuring of our joint venture in Tokyo.

Adjusted Basic EPS

Adjusted Basic EPS is calculated using underlying earnings shown in the table above and the undiluted weighted average number of shares in issue of 211.3m (2006: 210.7m).

Exchange and Hedging

The profit and loss accounts of the group's non-UK operations are translated into sterling at average exchange rates. The most significant exchange rates for the group are the US dollar and the Euro. The group's current policy is not to hedge profit and loss account translation exposure. The balance sheets of the group's non-UK operations are translated into sterling using year end exchange rates. The major balance sheet translation exposure is to the US dollar. The gross exposure at 31 December 2007 amounted to US\$187m, represented by US and Hong Kong net assets. The group has a cross currency interest rate swap designated as a net investment hedge of US\$117m of US dollar denominated net assets, giving a net exposure of US\$70m.

Average and year end exchange rates for the US dollar and the Euro are shown below.

	Average		Year End	
	2007	2006	2007	2006
US dollar	\$2.00	\$1.83	\$1.99	\$1.96
Euro	€1.47	€1.46	€1.36	€1.48

Cash flow and financing

Net cash flow from continuing operations is summarised in the table below.

	2007	2006
	£m	£m
Operating profit	131.8	114.8
Share based compensation	2.9	5.0
Depreciation and amortisation	7.2	8.0
EBITDA	141.9	127.8
Capital expenditure (net of NBV of disposals)	(6.4)	(3.7)
Working capital	5.0	12.8
Operating cash flow	140.5	136.9
Interest	(15.5)	(3.6)
Taxation	(32.9)	(27.7)
Defined benefit pension scheme funding	(2.5)	(2.1)
Share option related cash flow	(10.9)	(14.6)
Transaction costs	(1.0)	(2.2)
Dividends paid	(21.1)	(33.8)
Dividends received from associates/(paid) to minorities	-	(0.2)
Acquisitions/investments	(30.2)	-
Net cash flow	26.4	52.7

In 2007 the group has again delivered operating cash flow in excess of operating profit. The net working capital inflow in 2007 of £5.0m reflects the increase in payables, largely due to increased broker bonus accruals, partly offset by increased receivable balances and net settlement balances due to the higher level of activity compared with a year ago, and increased sign on prepayments due to broker hires during the year.

The increase in interest payments reflects the interest paid on the £300m term loan drawn down to finance the return of capital to shareholders.

The share option related cash flow reflects the cost of acquiring shares to satisfy share options.

Transaction costs represent amounts paid relating to the demerger of the Collins Stewart stockbroking business and the return of capital.

Dividends paid in 2007 represent the Tullett Prebon plc 2006 final dividend of 6p per share plus the 2007 interim dividend of 4p per share. The 2006 payment reflects the Collins Stewart Tullett plc 2005 final and 2006 interim dividends totalling 16p per share.

Acquisition expenditure in 2007 includes the £29.7m initial payment for Chapdelaine including associated transaction costs, the £0.9m cash cost of acquiring equity in the restructured Tokyo joint venture company, less £0.7m received from a claim made relating to the acquisition of Prebon.

The movement in net funds/(debt) is summarised below.

	£m
Net funds at 31 December 2006	111.2
Net cash flow	26.4
Funds acquired with Chapdelaine/Tokyo	5.8
Return of capital to shareholders	(301.5)
Effect of movement in exchange rates	(0.7)
Movements in fair value/amortisation of costs	(1.2)
Net (debt) at 31 December 2007	(160.0)

The group has moved from a net funds position at 31 December 2006 to a net debt position at 31 December 2007 due to the return of capital to shareholders. At 31 December 2007 the group held cash, cash equivalents and other financial assets of £290.5m (2006: £263.4m) and borrowings of £450.5m (2006: £152.2m). The group is required to maintain cash balances within its operating subsidiaries for clearing house deposits and regulatory purposes. At 31 December 2007 these requirements total £100m. In addition, the group maintains significant cash balances for working capital purposes. The group's borrowings comprise the £150m Eurobond, a term loan of £300m under new bank facilities entered into to finance the return of capital, and a small amount of finance leases. Borrowings on the balance sheet are shown net of unamortised arrangement fees. The group's cash balances and financial assets earn interest at short term floating rates. The Eurobond has a fixed coupon of 8.25%. The fair value of £64m of the bond is hedged by the cross currency interest rate swap under which the group receives fixed rate sterling interest and pays floating rate US dollar interest. The term loan carries interest at floating rates based on sterling LIBOR. The new bank facilities include a committed £50m revolving credit facility which was not drawn during the year.

Pensions

The deficits of the group's defined benefit pension schemes at 31 December 2007 under IAS19 total £3.9m (2006: £26.2m). The reduction in the deficits mainly reflects the increase in the value of the schemes' assets over the year.

The group has undertaken to ensure that the deficits of the schemes, on an accounting basis, will be eliminated by 31 December 2010, and in addition, has granted the trustees a first ranking charge over £50m of gross assets of the group's principal UK operating subsidiaries. Our defined benefit pension schemes are closed for future accrual.

The triennial actuarial valuation of the main scheme as at 30 April 2007 is currently underway.

Regulatory capital

The group has received a waiver from the consolidated capital adequacy requirements of the Capital Requirements Directive effective from 1 January 2007 through to 31 December 2011. The group is subject to a financial holding company test, whereby the aggregate financial resources of the group are calculated by reference to the capital and reserves of the parent company, Tullett Prebon plc, with the group's aggregate financial resources requirement calculated as the sum of the requirements of all the group's subsidiaries. The group maintained regulatory capital comfortably in excess of its requirement throughout the year.

Return on capital employed

The return on capital employed of 37% has been calculated as operating profit divided by average shareholders' funds plus net debt, and adding back cumulative amortised goodwill and the post tax impact of reorganisation costs.

Litigation

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

Future Developments and Outlook

The short term outlook for financial markets continues to be characterised by uncertainty, and the volatility that we experienced in the second half of 2007 has continued into the first two months of this year. These conditions are ideal for our business, and as a result of the actions taken during 2007, we are increasingly well placed to benefit from them. It is not possible, however, to make accurate predictions about how long these conditions are likely to prevail.

The development of our electronic broking capability is a key element of the service we provide to our clients. The level of investment in 2008 is expected to be higher than in 2007, and this will dampen overall operating margin improvement until the benefits of the investment begin to be fully realised.

We will continue to invest in new broker hires in those product areas which we believe have the best potential for future revenue growth, and we will continue to actively pursue acquisition opportunities to broaden and deepen our geographic and product coverage.

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

Terry Smith
Chief Executive

11 March 2008

consolidated income statement

for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Continuing operations			
Revenue	3	753.8	654.1
Other operating income	4	14.2	17.5
Administrative expenses		(636.2)	(556.8)
Operating profit		131.8	114.8
Finance income	5	21.1	30.4
Finance costs	6	(39.1)	(20.2)
Profit before tax		113.8	125.0
Taxation		(40.3)	(41.0)
Profit of consolidated companies		73.5	84.0
Share of results of associates		0.8	-
Profit for the year from continuing operations		74.3	84.0
Discontinued operations			
Profit for the year from discontinued operations		-	44.3
Profit for the year		74.3	128.3
Attributable to:			
Equity holders of the parent		73.4	127.6
Minority interests		0.9	0.7
		74.3	128.3
Earnings per share			
From continuing operations			
Basic	7	34.7p	39.7p
Diluted	7	34.2p	38.9p
From total operations – continuing and discontinued			
Basic	7	34.7p	60.6p
Diluted	7	34.2p	59.4p
Adjusted earnings per share is disclosed in note 7			

consolidated statement of recognised income and expense

for the year ended 31 December 2007

	2007	2006
	£m	£m
Revaluation of available for sale assets	0.1	-
Gain on net investment hedge	1.0	8.4
Effect of changes in exchange rates on translation of foreign operations	0.2	(14.3)
Actuarial gains on defined benefit pension schemes	19.0	8.0
Taxation on items taken directly to equity – continuing operations	(3.7)	4.7
Taxation on items taken directly to equity – discontinued operations	-	4.5
Net income recognised directly in equity	<u>16.6</u>	<u>11.3</u>
Profit for the year from continuing operations	74.3	84.0
Profit for the year from discontinued operations	-	44.3
Total recognised income and expense for the year	<u>90.9</u>	<u>139.6</u>
Attributable to:		
Equity holders of the parent	90.0	138.9
Minority interest	0.9	0.7
	<u>90.9</u>	<u>139.6</u>

consolidated balance sheet

as at 31 December 2007

	2007 £m	2006 £m
Non-current assets		
Goodwill	355.9	311.7
Other intangible assets	2.8	1.7
Property, plant and equipment	18.7	18.6
Interest in associates	2.6	2.6
Other financial assets	2.4	2.7
Deferred tax assets	15.0	28.2
Derivative financial instruments	7.2	5.8
	<u>404.6</u>	<u>371.3</u>
Current assets		
Trade and other receivables	6,923.4	12,627.0
Other financial assets	28.3	27.0
Cash and cash equivalents	262.2	236.4
Derivative financial instruments	-	9.8
	<u>7,213.9</u>	<u>12,900.2</u>
Total assets	<u>7,618.5</u>	<u>13,271.5</u>
Current liabilities		
Trade and other payables	(6,972.7)	(12,667.2)
Interest bearing loans and borrowings	(30.6)	(0.9)
Current tax liabilities	(26.5)	(31.4)
	<u>(7,029.8)</u>	<u>(12,699.5)</u>
Net current assets	<u>184.1</u>	<u>200.7</u>
Non-current liabilities		
Interest bearing loans and borrowings	(419.9)	(151.3)
Retirement benefit obligations	(3.9)	(26.2)
Deferred tax liabilities	(0.3)	(1.3)
Long-term provisions	(14.7)	(7.8)
Other long-term payables	(17.5)	(3.1)
	<u>(456.3)</u>	<u>(189.7)</u>
Total liabilities	<u>(7,486.1)</u>	<u>(12,889.2)</u>
Net assets	<u>132.4</u>	<u>382.3</u>
Equity		
Share capital	53.2	690.1
Reverse acquisition reserve	(1,182.3)	(1,182.3)
Other reserves	97.3	100.7
Retained earnings	1,162.1	772.1
Equity attributable to equity holders of the parent	<u>130.3</u>	<u>380.6</u>
Minority interest	2.1	1.7
Total equity	<u>132.4</u>	<u>382.3</u>

The financial statements were approved by the board of directors and authorised for issue on 11 March 2008 and are signed on its behalf by:

Terry Smith
Chief Executive

consolidated cash flow statement

for the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Net cash from operating activities	9(a)	82.8	163.6
Investing activities			
(Purchase)/sale of other financial assets		(0.3)	12.9
Interest received		13.2	15.5
Dividends from associates		0.9	-
Dividends received from fixed asset investments		0.2	-
Proceeds on disposal of property, plant and equipment		-	2.0
(Purchase)/sale of available for sale assets		(0.1)	7.2
Purchase of intangible fixed assets		(1.1)	(0.6)
Purchase of property, plant and equipment		(5.5)	(5.0)
Acquisition of subsidiaries		(25.9)	(4.4)
Repayment of acquisition consideration		0.7	-
Derecognised on demerger of Collins Stewart		-	(122.3)
Net cash used in investment activities		(17.9)	(94.7)
Financing activities			
Dividends paid	8	(21.1)	(33.8)
Dividends paid to minority interests		(0.9)	(0.2)
Return of capital		(301.5)	-
Purchase of own shares to meet share based awards (net)		(10.9)	(15.6)
Taxation credit on share option exercises		-	1.5
Drawdown of bank loan		297.2	-
Return of capital and demerger transaction costs		(1.0)	(4.5)
Repayment of obligations under finance leases		(0.5)	(0.5)
Net cash used in financing activities		(38.7)	(53.1)
Net increase in cash and cash equivalents		26.2	15.8
Net cash and cash equivalents at the beginning of the year		236.2	234.2
Effect of foreign exchange rate changes		(0.3)	(13.8)
Net cash and cash equivalents at the end of the year		262.1	236.2
Cash and cash equivalents		262.2	236.4
Overdrafts		(0.1)	(0.2)
Net cash and cash equivalents		262.1	236.2

The consolidated cash flow statement for the year ended 31 December 2006 reflects both the continuing (inter-dealer broking) operations and the discontinued (stockbroking) operations whilst the consolidated cash flow statement for the year ended 31 December 2007 reflects inter-dealer broking operations only. Note 9(b) shows the cash flow for the year ended 31 December 2006 in respect of continuing operations.

notes to the consolidated financial statements

for the year ended 31 December 2007

1. General information

Tullett Prebon plc is a company incorporated in England and Wales under the Companies Act 1985.

In December 2006, Tullett Prebon plc became the holding company of Collins Stewart Tullett plc in accordance with a court approved scheme of arrangement under s425 of the Companies Act 1985. The acquisition of Collins Stewart Tullett plc by Tullett Prebon plc constituted a group reconstruction and was accounted for using the reverse acquisition accounting principles as set out in IFRS 3: Business Combinations. The Group results for the year ended 31 December 2006 were prepared on the basis of the reverse acquisition principles.

On 19 December 2006, in accordance with a court approved scheme of arrangement under s425 of the Companies Act 1985, the Collins Stewart stockbroking business was demerged from the Group. Results for Collins Stewart for the year ended 31 December 2006 have been included in the consolidated income statement as discontinued operations.

2. Basis of preparation of accounts

Basis of accounting

The financial information included in this document does not constitute the Group's statutory accounts for the years ended 31 December 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under sections 237(2) or 237(3) of the Companies Act 1985.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

notes to the consolidated financial statements

for the year ended 31 December 2007

3. Segmental analysis

Continuing operations – geographical

	2007 £m	2006 £m
Revenue		
Europe	377.6	335.1
North America	300.5	252.8
Asia Pacific	75.7	66.2
	<u>753.8</u>	<u>654.1</u>
Operating profit		
Europe	75.5	65.9
North America	46.8	44.3
Asia Pacific	9.5	4.6
	<u>131.8</u>	<u>114.8</u>
Finance income	21.1	30.4
Finance costs	(39.1)	(20.2)
Profit before tax	113.8	125.0
Taxation	(40.3)	(41.0)
Profit of consolidated companies	73.5	84.0
Share of results of associates	0.8	-
Profit for the year from continuing operations	<u>74.3</u>	<u>84.0</u>

4. Other operating income

Other operating income represents receipts other than those earned through broking activities, such as rental income, royalties, insurance proceeds, gains on currency hedges, settlements from competitors, asset disposal proceeds and business relocation grants. Costs associated with such items are included in administrative expenses.

5. Finance income

Continuing operations	2007 £m	2006 £m
Interest receivable and similar income	13.4	10.0
Hedge ineffectiveness on net investment hedge	0.2	0.5
Mark to market gain on equity swap	-	13.4
Expected return on pension schemes' assets	7.5	6.5
	<u>21.1</u>	<u>30.4</u>

notes to the consolidated financial statements

for the year ended 31 December 2007

6. Finance costs

Continuing operations	2007	2006
	£m	£m
Interest payable on bank loans	16.0	-
Interest payable on Eurobond	12.4	12.4
Other interest payable	0.9	1.2
Amortisation of debt issue costs	1.5	0.4
Total borrowing costs	30.8	14.0
Amortisation of discount on deferred consideration	0.9	-
Mark to market loss on equity swap	0.7	-
Interest cost on pension schemes' liabilities	6.7	6.2
	<u>39.1</u>	<u>20.2</u>

7. Earnings per share

Continuing operations	2007	2006
Adjusted basic	33.5p	31.6p
Basic	34.7p	39.7p
Diluted	34.2p	38.9p

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

	2007	2006
	No.(m)	No.(m)
Weighted average shares in issue	211.3	210.7
Issuable on exercise of options	3.1	4.3
Diluted weighted average shares in issue	<u>214.4</u>	<u>215.0</u>

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

Continuing operations	2007	2006
	£m	£m
Earnings	74.3	84.0
Minority interests	(0.9)	(0.4)
Earnings for the purposes of the basic and diluted earnings per share	73.4	83.6
Mark to market loss/(gain) on equity swap	0.7	(13.4)
Gain arising on net investment hedge ineffectiveness	(0.2)	(0.5)
Expected return on pension schemes' assets	(7.5)	(6.5)
Interest cost on pension schemes' liabilities	6.7	6.2
Amortisation of discount on deferred consideration	0.9	-
Tax on above items	0.3	0.1
Prior year tax	(5.1)	(3.0)
Capital tax	1.6	-
Adjusted earnings	<u>70.8</u>	<u>66.5</u>

notes to the consolidated financial statements

for the year ended 31 December 2007

8. Dividends

	2007 £m	2006 £m
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2007 of 4p per share	8.4	-
Final dividend for the year ended 31 December 2006 of 6p per share	12.7	-
Interim dividend for the year ended 31 December 2006 of 5p per share	-	10.6
Final dividend for the year ended 31 December 2005 of 11p per share	-	23.2
	21.1	33.8

In respect of the current year, the directors propose that the final dividend of 8p per share amounting to £16.9m will be paid on 22 May 2008 to all shareholders on the Register of Members on 2 May 2008. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

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

9. Notes to the cash flow statement

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

	2007 £m	2006 Continuing (Restated) £m	2006 Total (Restated) £m
Operating profit	131.8	114.8	175.2
Adjustments for:			
Profit on derivatives	-	(1.9)	(1.9)
Share based compensation	2.9	5.0	6.9
Profit on sale of other non-current financial assets	-	(6.1)	(6.1)
Loss/(profit) on sale of property, plant and equipment	0.2	(1.8)	(1.8)
Depreciation of property, plant and equipment	5.8	6.9	8.0
Amortisation of intangible assets	1.4	1.1	1.1
Increase in provisions for liabilities and charges	2.8	0.6	1.1
Outflow from retirement benefit obligations	(2.5)	(2.1)	(2.1)
Increase in non-current liabilities	-	1.1	1.1
Operating cash flows before movement in working capital	142.4	117.6	181.5
(Increase)/decrease in trade and other receivables	(15.1)	29.6	39.1
(Increase) in net settlement balances	(2.3)	(0.3)	(6.2)
Decrease in net long and short positions	-	-	14.3
Increase/(decrease) in trade and other payables	19.6	(16.3)	(9.9)
Cash generated from operations	144.6	130.6	218.8
Income taxes paid	(32.9)	(28.0)	(41.1)
Interest paid	(28.9)	(13.6)	(14.1)
Net cash from operating activities	82.8	89.0	163.6

The 2006 cash flow statement has been restated to reflect the reclassification in the 2005 balance sheet of £7.7m net long and short positions to net settlement balances in order to more fairly reflect the nature of the underlying activities.

notes to the consolidated financial statements

for the year ended 31 December 2007

(b) Cash flow from continuing operations

The cash flow statement below shows cash flows from continuing operations for both 2007 and 2006.

	2007	2006
	£m	£m
Net cash from operating activities	82.8	89.0
Investing activities		
(Purchase)/ sale of other non-current financial assets	(0.3)	7.4
Interest received	13.2	10.0
Dividends from associates	0.9	-
Dividends received from fixed asset investments	0.2	-
Proceeds on disposal of property, plant and equipment	-	2.0
(Purchase)/sale of available for sale assets	(0.1)	7.2
Purchase of intangible fixed assets	(1.1)	(0.6)
Purchase of property, plant and equipment	(5.5)	(4.1)
Acquisition of subsidiaries	(25.9)	-
Repayment of acquisition consideration	0.7	-
Net receipts from Collins Stewart	-	11.2
Net cash from investment activities	<u>(17.9)</u>	<u>33.1</u>
Financing activities		
Dividends paid	(21.1)	(33.8)
Dividends paid to minority interests	(0.9)	(0.2)
Return of capital	(301.5)	-
Purchase of own shares to meet share based awards (net)	(10.9)	(14.6)
Taxation credit on share option exercises	-	0.3
Drawdown of bank loan	297.2	-
Return of capital and demerger transaction costs	(1.0)	(2.2)
Repayment of obligations under finance leases	(0.5)	(0.5)
Net cash used in financing activities	<u>(38.7)</u>	<u>(51.0)</u>
Net increase in cash and cash equivalents	26.2	71.1
Net cash and cash equivalents at the beginning of the year	236.2	178.6
Effect of foreign exchange rate changes	(0.3)	(13.5)
Net cash and cash equivalents at the end of the year	<u><u>262.1</u></u>	<u><u>236.2</u></u>

notes to the consolidated financial statements

for the year ended 31 December 2007

10. Analysis of net funds

Continuing operations 2007	At 1 January 2007 £m	Cash flow £m	Non-cash items £m	Acquired with subsidiary £m	Exchange differences £m	At 31 December 2007 £m
Cash in hand and at bank	160.7	17.4	-	-	(0.7)	177.4
Cash equivalents	73.4	8.6	-	-	0.4	82.4
Client settlement money	2.3	0.1	-	-	-	2.4
Overdraft	(0.2)	0.1	-	-	-	(0.1)
	<u>236.2</u>	<u>26.2</u>	<u>-</u>	<u>-</u>	<u>(0.3)</u>	<u>262.1</u>
Bank loans within one year	-	(30.0)	-	-	-	(30.0)
Bank loans after one year	-	(267.2)	(0.7)	-	-	(267.9)
Loans due within one year	(0.1)	-	-	-	-	(0.1)
Loans due after one year	(148.7)	-	(0.5)	-	-	(149.2)
Finance leases	(3.2)	0.5	(0.2)	-	(0.3)	(3.2)
	<u>(152.0)</u>	<u>(296.7)</u>	<u>(1.4)</u>	<u>-</u>	<u>(0.3)</u>	<u>(450.4)</u>
Other financial assets	27.0	0.3	-	1.1	(0.1)	28.3
Total net funds	<u>111.2</u>	<u>(270.2)</u>	<u>(1.4)</u>	<u>1.1</u>	<u>(0.7)</u>	<u>(160.0)</u>

OTHER INFORMATION

The Annual General Meeting of Tullett Prebon plc will be held at Level 37, Tower 42, 25 Old Broad Street, London EC2N 1HQ on 15 May 2008 at 3.00pm.