

TULLETT PREBON PLC

PRELIMINARY RESULTS - for the year ended 31 December 2006

Highlights

Tullett Prebon plc today announced its preliminary results for the year ended 31 December 2006. The highlights are:

- Demerger of Collins Stewart effective 19 December 2006.
- Return of £301.5m of capital to shareholders expected to be made on 20 March 2007.
- Proposed final dividend of 6p per share.
- Acquisition of Chapdelaine completed 11 January 2007.

Continuing operations results:

- Revenue £654.1m (2005: £649.4m) – underlying growth of 5%.
- Operating profit £114.8m (2005: £90.7m before exceptional items) – growth of 27%.
- Profit before tax £125.0m (2005: £52.3m) – growth of 139%.
- Adjusted* EPS 33.0p (2005: 22.4p) – growth of 47%.

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

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

“2006 was a successful year. The split of Collins Stewart Tullett plc has been completed: into Tullett Prebon, which is the world’s second largest inter-dealer broker, and Collins Stewart, which is the UK’s leading independent stock broker. At this stage in their development, the separation will enable both businesses to achieve stronger growth. We expect to make a return of cash to shareholders of £301.5m on or around 20 March.

The Tullett Prebon inter-dealer broker business had strong results. Revenue was £654m, with underlying growth at 5 percent, and operating profits before exceptional items were £115m (2005: £91m). Adjusted earnings per share for continuing businesses were 33 pence - an increase of 47 percent.”

Terry Smith, Chief Executive, added:

“The acquisition of Chapdelaine was completed in January 2007 for a consideration of £48m (£29m of which was paid on completion). This is a long established New York business which provides broking services in corporate bonds, credit derivatives, mortgage backed securities and equities. The acquisition will strengthen our North American business, particularly in credit products.

The current outlook for Tullett Prebon is positive and the Board is confident of creating future value for shareholders.”

- Ends -

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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

On 19 December 2006 Collins Stewart Tullett plc was split into two independent businesses: Tullett Prebon plc, the world's second largest inter-dealer broker, and Collins Stewart plc, which is the leading UK independent stock broker - and which has recently acquired Hawkpoint, the highly regarded UK corporate advisory business. The demerger was effected because it was considered that at this stage of their development the two companies would be able to grow more strongly if separated. The change also allows a substantial return of capital to be made to the shareholders. Both companies now have separate listings on the London Stock Exchange.

Total shareholder return for 2006 was 55 percent (calculated using the Collins Stewart Tullett plc share price at the start of 2006 and the combined Tullett Prebon plc and Collins Stewart plc share prices at the end of that year). This was 19 percentage points above the FTSE 250 Index for 2006 and 9.5 percentage points above the General Financials Sector Index for the same year.

On 26 February 2007 our shareholders approved a cash return of capital of £301.5m. Subject to final Court approval, the effective date of the reduction of capital is expected to be 15 March 2007 and shareholders are expected to receive 142 pence per ordinary share in cash on or around 20 March 2007.

The Board is proposing a final dividend of 6 pence per share, which, if approved will be payable on 14 June 2007 to shareholders on the register on 25 May 2007. The level of the dividend has been set taking account of the capital structure of the company after the return of capital. Collins Stewart plc has also announced a proposed final dividend of 5 pence per share.

Tullett Prebon achieved strong results for 2006. Revenue amounted to £654m (2005: £649m) and underlying revenues were up 5 percent. Operating profits before exceptional items were £115m (2005: £91m). The results reflected the completion of the integration of Prebon which was acquired in 2004 and benefited from the elimination of double running costs. Operating margins rose to 17.6 percent of revenue from 14 percent of revenue. The average return on capital employed was 28 percent. The adjusted earnings per share for the continuing businesses were 33 pence per share, an increase of 47 percent.

The acquisition of Chapdelaine was completed in January 2007 for a consideration of £48m (£29m of which was paid on completion). This is a long established New York business which provides broking services in corporate bonds, credit derivatives, mortgage backed securities and equities. The acquisition will strengthen our North American business, particularly in credit products.

The accounts also include the results of the Collins Stewart stockbroking business prior to the demerger, shown as discontinued operations. Earnings per share including the results of both businesses were up 107 percent at 60.6 pence per share.

Now that the demerger has been completed, we have a focused business which is in a position to undertake the work needed to make further progress, particularly in growing revenues in what will be a period of continuing change in its markets. The current outlook for Tullett Prebon is positive and the Board is confident of creating future value for shareholders.

Board Matters

Following the demerger, Terry Smith became Chief Executive of Tullett Prebon. Lou Scotto, who led the integration of Tullett and Prebon, stepped down from the Board in February 2007 to concentrate on his role as Chief Executive of the Americas and in particular on the core initiatives of developing our electronic platform and the integration of Chapdelaine. Paul Mainwaring joined the Board as Finance Director in October 2006 and we are already benefiting from his previous experience in that role in two other businesses. His predecessor, Stephen Jack retired from the Board in November 2006 and we wish him well for the future.

Rupert Robson joined the non executive team in January 2007. He has held a number of senior roles in financial services, most recently as Global Head, Financial Institutions Group, Corporate Investment Banking and Markets at HSBC. He has already made a strong contribution to the Board and we are proposing his election at the AGM. Alistair Peel has also joined us from Candover Investments plc as our Company Secretary and will be supporting us in maintaining and developing the effectiveness of the Board.

John Spencer, who has been a non executive since the Collins Stewart IPO in 2000, and Bernard Leaver, who joined the Board in 2003, have both indicated that they will not be available to stand for re-election at the AGM in June. The successful development of Collins Stewart into what has now become the two independent businesses has not been without challenges, requiring the Board to be robust in supporting the best interests of the company and the shareholders, even when that might not have been the easiest course. We would like to thank our retired and retiring colleagues for their contribution. John Spencer has held the role of Senior Independent Director and we will make an announcement about succession in that role at the AGM.

Keith Hamill
Chairman

13 March 2007

overview of 2006

2006 was another successful year for the Company. A year ago we announced our intention to effect the demerger of the Collins Stewart stockbroking business and then subsequently to return at least £300m of capital to shareholders.

The demerger became effective in December last year, and has resulted in two separate listed companies, Collins Stewart plc owning the stockbroking business, and Tullett Prebon plc owning the inter-dealer broking business, each of which is better placed to focus fully on the development opportunities available to them.

The demerger of the stockbroking business also allows Tullett Prebon plc to operate with a more efficient capital structure. The inter-dealer broking business does not take principal risk, and is a 'limited licence'/'limited activity' group under the Capital Requirements Directive ('CRD') which came into effect on 1 January 2007. During the year the Company applied for and received a waiver from the consolidated capital adequacy tests under the regulatory requirements established by the CRD. The granting of this waiver by the Financial Services Authority ('FSA') facilitates the return of £301.5m of capital to shareholders, which will be effective before the end of March this year.

We continued to strengthen the inter-dealer broking business. Contribution rates in the business have been improved further as we realise the full benefits of the integration of the Prebon business acquired in October 2004 and the elimination of the double running costs incurred during 2005.

Our electronic trading platform, TradeBlade™, has established a significant market share in the products launched in the early part of 2006, and we expect to achieve similar success with the products launched in the middle of last year.

Our European business has continued to perform very strongly. The performance in North America has been held back by our position in the challenging fixed income market, but the business has been significantly strengthened by the recent acquisition of Chapdelaine, which addresses our weaknesses in this particular sector, and which has been quickly integrated into our existing operations. Our Asian business has recovered strongly from the disruption during 2005 as a result of competitor activity.

We continue to review new markets and geographies for opportunities to develop the business, and a new head of product development will join the team in April this year to spearhead this initiative.

The following table shows the results for the continuing operations for 2006 compared with those for 2005. In 2006 management responsibility for most of the domestic and international equities activities based in New York was transferred from the inter-dealer broking business to the stockbroking business. The results for 2005 have been restated accordingly. The stockbroking business was demerged on 19 December 2006, and its results are therefore shown as discontinued operations in both years. The following narrative focuses on the continuing operations.

	2006 £m	2005 £m
Revenue	654.1	649.4
Operating profit before exceptional items	114.8	90.7
Exceptional items - Reorganisation costs	-	(38.3)
Operating profit	114.8	52.4
Net finance income/(expense)	10.2	(0.1)
Profit before tax	125.0	52.3
Taxation	(41.0)	(25.0)
Share of results of associates	-	0.7
Profit for the year from continuing operations	84.0	28.0
Discontinued operations	44.3	33.7
Profit for the year	128.3	61.7
Earnings per share		
From continuing operations		
- Adjusted basic	33.0p	22.4p
- Basic	39.7p	13.2p
From continuing and discontinued operations		
- Basic	60.6p	29.3p

Revenue and Operating Profit

Reported revenue increased by 1%. However, the underlying revenue growth was 5%, adjusting for revenues lost during 2005 as a result of staff losses in Asia (Hong Kong and Singapore), disposals (Sydney), and the closure of the London cash equities business that never regained momentum following the fire at Cable House ('discontinued activities'). Over the year, the impact on reported revenue of changes in translation exchange rates was minimal, but was much more significant in comparing the reported revenue for the half years, with the average US dollar exchange rate for the second half of 2006 being 6% weaker than for the corresponding period in 2005.

Market conditions were generally favourable, with continuing strong growth and volatility in a number of our markets notably foreign exchange, interest rate derivatives and energy. Conditions in the fixed income markets were more challenging, however, particularly in the Americas.

Operating profit before exceptional items increased by 27%, with the operating margin before exceptional items increasing to 17.6% compared with 14.0% for 2005. The improvement reflects the benefits of the completion during 2005 of the integration of the inter-dealer broking business following the acquisition of Prebon in October 2004, and the elimination of double running costs. Year end broker headcount was 1,512 (2005: 1,588) and average support staff headcount fell by over 10%. As a result the key indicators of our operational performance continued to show improvement. Average revenue per broker increased to £413,000 (2005: £377,000) with the ratio of brokers to support staff also marginally increasing. Broker compensation to revenue at 57.9% is slightly higher than 2005 (57.7%).

The following tables analyse revenue by region and by product group, and operating profit by region.

Revenue £m	2006	2005	Change
Europe	335.1	307.3	+9%
North America	252.8	259.8	-3%
Asia Pacific	66.2	56.7	+17%
	<hr/> 654.1	<hr/> 623.8	<hr/> +5%
Discontinued activities	-	25.6	-
Reported	<hr/> 654.1	<hr/> 649.4	<hr/> +1%

Revenue £m	2006	2005	Change
Treasury Products	191.0	176.6	+8%
Interest Rate Derivatives	166.5	153.1	+9%
Fixed Income	181.8	197.0	-8%
Equities	41.3	31.8	+30%
Energy	60.0	51.9	+16%
Information Sales	13.5	13.4	-
	<hr/> 654.1	<hr/> 623.8	<hr/> +5%
Discontinued activities	-	25.6	-
	<hr/> 654.1	<hr/> 649.4	<hr/> +1%

Operating Profit* £m	2006	2005	Change
Europe	65.9	41.6	+58%
North America	44.3	40.4	+10%
Asia Pacific	4.6	8.7	-47%
	<hr/> 114.8	<hr/> 90.7	<hr/> +27%

* before exceptional items

Our performance in Treasury Products benefited from exchange rate volatility and our strong position in the non-bank cash markets. Changes in interest rates and shifts in the yield curve in both Europe and the Americas assisted our Interest Rate Derivatives business. Our Fixed Income business suffered in a less buoyant market and although we maintained our revenues in Europe, we experienced a significant decline in the Americas. Our Equities business performed strongly, driven by equity derivatives. Our Energy business has benefited from ongoing volatility in an increasingly liquid market, with growing participation of investment banks and other financial institutions. Information Sales revenue was maintained, with new business wins offsetting the negative impact of the consolidation of previously separate Tullett and Prebon contracts and the loss of a contract due to customer combination.

Europe delivered a good revenue performance in 2006 with growth of 9%, benefiting from the London operations working from a single broking floor for the entire year, and helpful market conditions in a number of product areas. We maintain a leading position in Treasury Products, evidenced by our top ranking in currencies in the Risk magazine annual awards. Our NDF and spot FX businesses benefited from expansion into emerging currencies, and market volumes generally continued to be strong. In Interest Rate Derivatives we continued to grow revenues in both sterling and Euro inflation products in which we were ranked top in the Risk magazine awards, and we also benefited from our investment in interest rate options, and from strong growth in Eastern European and emerging market swaps. In Fixed Income both the corporate bond and Euro government bond markets were relatively subdued, but we extended our presence in gilts, and developed the business into stronger growth areas such as emerging market bonds and high yield bonds. We maintained our leading position in repo

products, and we have diversified our credit derivatives activities from traditional single names with expansion into structured products and emerging market products. Following the decision to close the London cash equities activities following the fire in the summer of 2005, we have focused on equity derivatives and GDRs, with the latter performing strongly as confidence increased in Eastern Europe, particularly in Russia, and the former benefiting from our investment in index options. During 2006 we also withdrew from equity finance. In Energy products we achieved strong growth in power, natural gas and oil options products and have continued to invest in the wet freight area. We extended our product coverage in early 2007 with the addition of a coal broking team.

Operating profit in Europe increased by 58% to £65.9m (2005: £41.6m) as a result of the underlying growth in revenue, and the improvement in operating margin to 19.7% (2005: 13.1%). The improvement in margin reflects the significant reduction in support costs from 2005 as the completion of the integration led to average support staff headcount falling by 12%, with the double running costs incurred in 2005 also eliminated.

Revenue growth in North America was strong across all products except Fixed Income. In Treasury Products we benefited from the development of trading in emerging markets currencies driven by growth and increased stability in those economies, and the ongoing development of the derivatives markets. Our activities in the traditional currencies benefited from interest rate movements during the first half of the year. In Interest Rate Derivatives we maintained our leading position and increased revenues in many of the products where desks were integrated during 2005. Our Equities business was refocused following the transfer of the bulk of the equities activities to Collins Stewart at the beginning of the year, and continued to deliver good growth. Our Energy operations were strengthened during the year and as a result of our increased product coverage and acquisitions made in previous years we were well positioned to benefit from growth in the market. The Fixed Income market was challenging, and revenues in 2006 were lower than 2005 in both government and corporate bonds. Trading activity in these products has been subdued, and some government bond trading has migrated onto electronic platforms, and whilst we continued to grow in some specific niches of the market this was not sufficient to offset the impact. The acquisition of Chapdelaine gives us significantly increased liquidity in high grade and high yield corporate bonds and credit derivatives, with leadership in a number of specific areas. Our emerging markets fixed income activities also experienced a more difficult market, with bond issuance moving from international US dollar bonds back onshore.

Operating profit in North America increased by 10% to £44.3m (2005: £40.4m) despite the reduction in revenues, with operating margin improving to 17.5% (2005: 15.5%). Direct costs are predominantly variable and reduced in line with revenues, with the improvement in margin driven by a reduction in average support staff headcount and the non-recurrence of double running costs following the completion of the integration of Prebon in 2005.

The Asia Pacific region has recovered strongly from the disruption to the business caused by staff losses and business disposals in 2005. The focus in 2006 has been on stabilising the broking teams across the region and progressively improving the quality of the teams through hiring without increasing headcount. We have remained focused on building our activities in the product areas in which we have been traditionally strong, and have benefited from both increasing volumes for many of these products and improvements in market share, leading to us regaining leadership positions in a number of products. We have strong franchises in Treasury Products and Interest Rate Derivatives across the region and have seen good growth in the latter area in our joint venture in Tokyo and in our wholly owned business in Korea where we commenced trading onshore in May 2005.

Reported operating profit in Asia Pacific fell by 47% to £4.6m (2005: £8.7m) with operating margin of 6.9% (2005: 12.1%). The 2005 operating profit is flattered by the inclusion of a number of one-off payments from competitors associated with the staff and business changes during that year, and the 2006 operating profit includes costs associated with the litigation relating to our claim for damages against BGC following the poaching of some 50 brokers from our Singapore operation in February 2005. The region has delivered an improvement in underlying margin, with an improvement in the broker employment costs to revenue ratio and a 12% reduction in average support staff headcount.

In the first week of 2006 we launched TradeBlade™, our electronic trading platform, with US dollar repo trading, and we have established a significant market share in this product. In June 2006 we launched trading in US treasuries and in November US Federal agency securities. The TradeBlade™ project was initiated at the request of our clients and the ongoing development of a credible electronic platform capable, in the medium term, of generating returns in excess of voice broking returns in the relevant product areas, is a key part of our strategy. The results of TradeBlade™ are included in Americas, with the revenue included in Fixed Income.

Exceptional Items

There were no exceptional items in 2006. The exceptional items charge of £38.3m in 2005 related to the costs associated with the integration of Prebon.

Litigation

The only significant outstanding litigation is the company's claim for damages against BGC, following the unlawful poaching of staff in Singapore. A settlement agreement with BGC was reached following the trial in November, but BGC have breached their obligations under the settlement agreement by not paying the amounts due. We have brought an action in the Singapore High Court against BGC. This trial is expected to take place in April.

Net Finance Income/(Expense)

The continuing operations had net finance income of £10.2m (2005: net expense of £0.1m). This includes non-cash gains on the mark to market of derivative financial instruments (the equity swap and the Eurobond fair value hedge) of £13.9m (2005: £8.6m) and non-cash net income on pension assets and liabilities of £0.3m (2005: net charge of £1.2m). These items, net of related tax, have been excluded in the calculation of adjusted EPS.

Excluding these items, the net finance charge in 2006 was £4.0m (2005: £7.5m). This comprises interest payable on the £150m Eurobond at 8.25%, interest payable on finance leases and short term borrowings, and the amortisation of debt issuance costs, partly offset by interest income earned on cash balances.

Taxation

The underlying effective rate of tax for the continuing operations, excluding exceptional items and after adjusting for the non-cash items within finance income/(expense) and for prior year tax items, is 40% (2005: 44%).

The effective rate is higher than the standard UK rate of 30% reflecting the profits earned in the US, where the statutory rate is 46%, and the extent of disallowable items. The reduction in the effective rate compared with 2005 results mainly from the increased proportion of profit earned in the UK relative to the US.

Earnings per Share

Adjusted earnings per share from the continuing operations, calculated before exceptional items and non-cash gains and losses in finance income/(expense) increased 47% to 33.0p. Including discontinued operations and taking into account exceptional items, basic earnings per share increased by 107% to 60.6p.

Acquisitions

There were no acquisitions during the year. On 11 January 2007 the acquisition of Chapdelaine Corporate Securities & Co. was completed. The consideration for the acquisition is \$95m (£48m) payable in cash, \$57m (£29m) of which was paid on completion, with the balance payable over the next three years, part of which is dependent on Chapdelaine's performance.

Cash Flow

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

	2006	2005
	£m	£m
Operating profit before exceptional items	114.8	90.7
Reorganisation costs	-	(38.3)
Share option plan charges	5.0	4.6
Depreciation and amortisation	8.0	9.3
EBITDA	<u>127.8</u>	<u>66.3</u>
Capital expenditure (net of NBV of disposals)	(3.7)	(6.3)
Working capital	12.8	(2.0)
Operating cash flow	<u>136.9</u>	<u>58.0</u>
Interest	(3.6)	(6.8)
Taxation	(27.7)	(20.1)
Contributions to defined benefit pension schemes	(2.1)	(2.1)
Purchase of own shares/options cash settled	(14.6)	-
Demerger transaction costs	(2.2)	-
Equity dividends paid	(33.8)	(18.3)
Dividends paid to minorities	(0.2)	-
Acquisitions/investment in associates	-	(5.0)
Issue of ordinary shares	-	1.3
Net cash flow	<u>52.7</u>	<u>7.0</u>

Operating cash flow from the continuing operations was £136.9m (2005: £58.0m). The increase reflects the higher operating profit, the absence in 2006 of reorganisation costs, and a working capital inflow mainly driven by the reduction in name give up receivables. The increased taxation payments reflect the higher profits. During the year the Group purchased its own shares to satisfy the vesting of awards under share option schemes and also cash settled some exercises. The dividends paid in 2006 reflect the 2005 final and 2006 interim dividends totalling 16p per share.

The movement in the Group's net funds is summarised below.

	£m
Opening net funds	121.5
Less Collins Stewart opening net funds	<u>(61.1)</u>
Tullett Prebon opening net funds	60.4
Net cash flow	52.7
Intercompany settlements with Collins Stewart	11.2
Effect of movements in exchange rates	(14.6)
Movements in fair value/amortisation of costs	<u>1.5</u>
Closing net funds	<u>111.2</u>

Financing and Treasury

At 31 December 2006 the Group held cash and cash equivalents of £263.4m (2005: £276.4m) and borrowings of £152.2m (2005: £154.9m), giving net funds of £111.2m (2005: £121.5m). The Group has a £150m Eurobond paying 8.25% which accounts for the vast majority of the borrowings. The fair value of the bond is part hedged by a cross currency interest rate swap under which the Group receives fixed rate sterling interest and pays floating rate US dollar interest. The net cash inflow under the swap during 2006 was £0.3m (2005: £1.4m). The movement in the mark to market value of the interest rate swap element of the cross currency interest rate swap and the hedged portion of the bond, are included in net finance income/(expense). The Group's cash balances earn interest at floating rates.

Subsequent to the year end the Group has entered into a £350m credit facility agreement. £300m will be drawn down for the purposes of financing the return of capital under a 5 year amortising loan. A further £50m may be drawn down for general purposes under a 5 year revolving credit facility. The facilities carry interest at floating rates.

Revenue and profits from the Group's overseas subsidiaries are translated at average exchange rates. The most significant exchange rates for the Group are the US dollar and the Euro. There are currently no contracts in place hedging profit exposure.

The balance sheets of the Group's overseas subsidiaries are translated at year end exchange rates. The major balance sheet translation exposure is to the US dollar. The gross exposure at 31 December 2006 amounted to US\$178m, represented by US and Hong Kong net tangible assets, with the net exposure, taking into account the cross currency swap, of US\$61m.

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

	Average		Year End	
	2006	2005	2006	2005
US dollar	\$1.83	\$1.81	\$1.96	\$1.72
Euro	€1.46	€1.46	€1.48	€1.46

Pensions

The deficit of the Group's defined benefit pension schemes at 31 December 2006 under IAS19 is £26.2m (2005: £36.6m). The reduction in the deficit mainly reflects the increase in the value of scheme 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 of the schemes a first ranking charge over £50m of gross assets of the Group's principal operating subsidiaries.

The triennial actuarial valuation of the main scheme will be undertaken as at 30 April 2007.

Regulatory Capital

The Group maintained regulatory capital comfortably in excess of its requirements under the terms of the Capital Adequacy Directive throughout the year.

The Capital Requirements Directive ('CRD') came into effect in the UK from 1 January 2007. The Group has received a waiver from the consolidated capital adequacy requirements of the CRD effective from the start of 2007. 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 maintains adequate excess financial resources under this test.

Return on Capital Employed

The return on capital employed of 28% has been calculated as operating profit divided by average shareholders' funds adjusted to reflect the demerger of the stockbroking business and to add back cumulative amortised/impaired goodwill, the post tax impact of reorganisation costs, and average debt less cash and cash equivalents.

FUTURE DEVELOPMENTS AND OUTLOOK

The business in the Americas has been strengthened by the acquisition of Chapdelaine, and some significant organisational changes have been made. In the Americas, in addition to overseeing the further growth of the business in the region, Lou Scotto has taken specific responsibility for TradeBlade™ and for the integration of Chapdelaine. A new head of product development has been recruited to lead the initiatives to extend and deepen our product and geographic coverage. These changes are part of a focus on delivering value through accelerated revenue growth.

The acquisition of Chapdelaine for cash and the return of £301.5m of capital to shareholders results in the Group being in a net debt position which imposes a financial discipline on all our activities.

The Board is confident of creating future value for shareholders.

Terry Smith
Chief Executive

13 March 2007

consolidated income statement
for the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Continuing operations			
Revenue	3	654.1	649.4
Other operating income	4	17.5	23.9
Administrative expenses			
Exceptional items: reorganisation costs	5	-	(38.3)
Other administrative expenses		(556.8)	(582.6)
Total administrative expenses		(556.8)	(620.9)
Operating profit		114.8	52.4
Finance income	6	30.4	21.5
Finance costs	7	(20.2)	(21.6)
Profit before tax		125.0	52.3
Taxation		(41.0)	(25.0)
Profit of consolidated companies		84.0	27.3
Share of results of associates		-	0.7
Profit for the year from continuing operations		84.0	28.0
Discontinued operations			
Profit for the year from discontinued operations	10	44.3	33.7
Profit for the year		128.3	61.7
Attributable to:			
Equity holders of the parent		127.6	61.0
Minority interests		0.7	0.7
		128.3	61.7
Earnings per share			
From continuing operations			
Basic	8	39.7p	13.2p
Diluted	8	38.9p	13.1p
From total operations – continuing and discontinued			
Basic	8	60.6p	29.3p
Diluted	8	59.4p	28.9p
Adjusted earnings per share is disclosed in note 8			

consolidated statement of recognised income and expense

for the year ended 31 December 2006

	2006 £m	2005 £m
Gain/(loss) on net investment hedge	8.4	(7.2)
Effect of changes in exchange rates on translation of foreign operations	(14.3)	7.9
Actuarial gains on defined benefit pension schemes	8.0	0.9
Taxation on items taken directly to equity – continuing operations	4.7	(0.2)
Taxation on items taken directly to equity – discontinued operations	4.5	0.6
Net income recognised directly in equity	<u>11.3</u>	<u>2.0</u>
Profit for the year from continuing operations	84.0	28.0
Profit for the year from discontinued operations	44.3	33.7
Total recognised income and expense for the year	<u>139.6</u>	<u>63.7</u>
Attributable to:		
Equity holders of the parent	138.9	63.0
Minority interest	0.7	0.7
	<u>139.6</u>	<u>63.7</u>

consolidated balance sheet

as at 31 December 2006

	Notes	2006 £m	2005 £m (as restated)
Non-current assets			
Goodwill		311.7	428.0
Other intangible assets		1.5	2.8
Property, plant and equipment		18.8	24.3
Interest in associates		2.6	2.8
Other financial assets		2.7	5.7
Deferred tax assets		28.2	31.0
Derivative financial instruments		5.8	-
		<u>371.3</u>	<u>494.6</u>
Current assets			
Trade and other receivables	14	12,627.0	11,998.7
Other financial assets		27.0	90.6
Cash and cash equivalents		236.4	235.3
Derivative financial instruments		9.8	5.4
		<u>12,900.2</u>	<u>12,330.0</u>
Total assets		<u>13,271.5</u>	<u>12,824.6</u>
Current liabilities			
Trade and other payables	14	(12,667.2)	(12,026.2)
Other financial liabilities		-	(15.2)
Interest bearing loans and borrowings		(0.9)	(1.8)
Current tax liabilities		(31.4)	(32.6)
Derivative financial instruments		-	(1.9)
		<u>(12,699.5)</u>	<u>(12,077.7)</u>
Net current assets		<u>200.7</u>	<u>252.3</u>
Non-current liabilities			
Interest bearing loans and borrowings		(151.3)	(153.1)
Retirement benefit obligations		(26.2)	(36.6)
Deferred tax liabilities		(1.3)	(1.0)
Long-term provisions		(7.8)	(7.2)
Other long-term payables		(3.1)	(3.3)
Derivative financial instruments		-	(1.2)
		<u>(189.7)</u>	<u>(202.4)</u>
Total liabilities		<u>(12,889.2)</u>	<u>(12,280.1)</u>
Net assets		<u>382.3</u>	<u>544.5</u>
Equity			
Share capital		690.1	53.1
Share premium account		-	250.9
Reverse acquisition reserve		(1,182.3)	-
Other reserves		100.7	121.8
Retained earnings		772.1	116.3
Equity attributable to equity holders of the parent		<u>380.6</u>	<u>542.1</u>
Minority interest		1.7	2.4
Total equity		<u>382.3</u>	<u>544.5</u>

consolidated cash flow statement
for the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Net cash from operating activities	11(a)	163.6	88.8
Investing activities			
Sale of other financial assets		12.9	(1.9)
Interest received		15.5	10.7
Proceeds on disposal of property, plant and equipment		2.0	-
Proceeds on disposal of available-for-sale investments		7.2	1.2
Purchase of intangible fixed assets		(0.6)	(1.6)
Purchase of property, plant and equipment		(5.0)	(13.0)
Acquisition of subsidiaries/investment in associates		(4.4)	(8.0)
Derecognised on demerger of Collins Stewart		(122.3)	-
Net cash used in investment activities		(94.7)	(12.6)
Financing activities			
Dividends paid	9	(33.8)	(18.3)
Dividends paid to minority interests		(0.2)	-
Issue of ordinary share capital		-	1.3
Purchase of own shares/cash settlement of share options		(15.6)	-
Taxation credit on share option exercises		1.5	-
Repayment of borrowings		-	(1.2)
Demerger transactions costs		(4.5)	-
Repayment of obligations under finance leases		(0.5)	(0.5)
Net cash used in financing activities		(53.1)	(18.7)
Net increase in cash and cash equivalents		15.8	57.5
Net cash and cash equivalents at the beginning of the year		234.2	169.1
Effect of foreign exchange rate changes		(13.8)	7.6
Net cash and cash equivalents at the end of the year		236.2	234.2
Cash and cash equivalents		236.4	235.3
Overdrafts		(0.2)	(1.1)
Net cash and cash equivalents		236.2	234.2

notes to the financial statements

for the year ended 31 December 2006

1. General information

Tullett Prebon plc is a company incorporated on 5 May 2006 in the United Kingdom under the Companies Act 1985.

On 15 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 constitutes a group reconstruction and has been accounted for using reverse acquisition accounting principles as set out in IFRS 3: Business Combinations. The Group results for the year ended 31 December 2006 as well as the 2005 comparatives are prepared on the basis of the reverse acquisition principles.

On 19 December 2006, under the scheme of arrangement the Collins Stewart stockbroking business was demerged from the Group. Results for Collins Stewart for 2005 and 2006 have been included in the consolidated income statement as discontinued operations. The consolidated balance sheet for 2005 contains both inter-dealer broking and stockbroking activities, whilst 2006 contains inter-dealer broking only. The impact of the demerger is reflected throughout the financial statements.

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 2006 or 2005, but is derived from those accounts. Statutory accounts for 2005 have been delivered to the Registrar of Companies and those for 2006 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. Accounting policies are consistent with those in the group financial statements for the year ended 31 December 2006.

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.

The demerger has resulted in some minor reclassifications in the comparatives of the consolidated balance sheet, the consolidated cash flow statement and in the notes to the consolidated financial statements.

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.

3. Segmental analysis

The Group's primary reporting format is geographical: Europe, North America and Asia Pacific, and its secondary reporting format is product group. The change in primary and secondary segments from 2005 is due to the demerger of the Collins Stewart stockbroking business.

Continuing operations – geographical

	Europe		North America		Asia Pacific		Continuing	
	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m	2006 £m	2005 £m
Revenue	335.1	317.2	252.8	260.5	66.2	71.7	654.1	649.4
Operating profit before exceptional items	65.9	41.6	44.3	40.4	4.6	8.7	114.8	90.7
Exceptional items	-	(19.4)	-	(12.0)	-	(6.9)	-	(38.3)
Operating profit	65.9	22.2	44.3	28.4	4.6	1.8	114.8	52.4
Finance income							30.4	21.5
Finance costs							(20.2)	(21.6)
Profit before tax							125.0	52.3
Taxation							(41.0)	(25.0)
Profit of consolidated companies							84.0	27.3
Share of results of associates							-	0.7
Profit for the year from continuing operations							84.0	28.0

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

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 and asset disposal proceeds. Costs associated with such items are included in administrative expenses.

5. Exceptional items

There were no exceptional items in 2006. The exceptional items charge of £38.3m in 2005 related to the costs associated with the integration of Prebon.

6. Finance income

Continuing operations

	2006 £m	2005 £m
Interest receivable and similar income	10.0	7.4
Gain on fair value hedge accounting	0.5	-
Mark-to-market gain on equity swap	13.4	9.3
Expected return on pension schemes' assets	6.5	4.8
	<u>30.4</u>	<u>21.5</u>

7. Finance costs

Continuing operations

	2006	2005
	£m	£m
Interest payable on other loans	13.0	13.4
Finance charges payable under finance leases	0.2	0.4
Amortisation of debt issue costs	0.4	0.4
Other interest payable	0.4	0.7
Total borrowing costs	14.0	14.9
Loss on fair value hedge accounting	-	0.7
Interest cost on pension schemes' liabilities	6.2	6.0
	<u>20.2</u>	<u>21.6</u>

8. Earnings per share

Continuing operations

	2006	2005
Adjusted basic	33.0p	22.4p
Basic	39.7p	13.2p
Diluted	38.9p	13.1p

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:

	2006	2005
	No. (m)	No. (m)
Weighted average shares in issue	210.7	208.5
Issuable on exercise of options	4.3	2.7
Diluted weighted average shares in issue	<u>215.0</u>	<u>211.2</u>

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

	2006	2005
	£m	£m
Continuing operations		
Earnings	84.0	28.0
Minority interest	(0.4)	(0.4)
Earnings for the purposes of the basic and diluted earnings per share	83.6	27.6
Exceptional items	-	38.3
Mark-to-market gain on equity swap	(13.4)	(9.3)
(Gain)/loss on fair value hedge accounting	(0.5)	0.7
Expected return on pension schemes' assets	(6.5)	(4.8)
Interest cost on pension schemes' liabilities	6.2	6.0
Taxation on above items	0.1	(11.7)
Adjusted earnings	<u>69.5</u>	<u>46.8</u>

9. Dividends

	2006	2005
	£m	£m
Amounts recognised as distributions to equity holders in the year:		
Interim dividend for the year ended 31 December 2006 of 5.00p per share	10.6	
Final dividend for the year ended 31 December 2005 of 11.00p per share	23.2	-
Interim dividend for the year ended 31 December 2005 of 3.00p per share	-	6.3
Final dividend for the year ended 31 December 2004 of 5.75p per share	-	12.0
	<u>33.8</u>	<u>18.3</u>

In respect of the current year, the directors propose that the final dividend of 6p per share amounting to £12.7m will be paid to shareholders on 14 June 2007. 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 proposed dividend is payable to all shareholders on the Register of Members on 25 May 2007.

10. Discontinued operations

On 19 December 2006, the Group demerged the Collins Stewart stockbroking business.

The results of the discontinued operations, derived entirely from stockbroking, which have been included in the consolidated income statement were as follows:

Discontinued operations	Europe		North America		Discontinued	
	2006	2005	2006	2005	2006	2005
	£m	£m	£m	£m	£m	£m
Revenue	146.9	115.1	37.9	33.6	184.8	148.7
Operating profit	55.0	39.2	5.4	1.5	60.4	40.7
Finance income					5.7	4.9
Finance costs					(0.5)	(0.3)
Profit before tax					65.6	45.3
Taxation					(21.3)	(11.6)
Profit for the year from discontinued operations					<u>44.3</u>	<u>33.7</u>

Basic earnings per share from discontinued operations was 20.9p (2005: 16.1p) and diluted earnings per share from discontinued operations was 20.5p (2005: 15.8p).

No profit or loss arose on the demerger of Collins Stewart, which was carried out under a scheme of arrangement.

Cash flows from discontinued operations:	2006	2005
	£m	£m
Net cash from discontinued operating activities	74.6	51.9
Net cash used in discontinued investment activities	(127.8)	(49.9)
Net cash used in discontinued financing activities	(2.1)	(0.1)

The net assets of Collins Stewart derecognised at the date of demerger and included in the consolidated balance sheet at 31 December 2005 were as follows:

	19 Dec 2006	2005
	£m	£m
Goodwill	116.7	116.3
Property, plant and equipment	2.2	2.3
Deferred tax	4.8	0.2
Other non-current assets	2.6	0.8
Trade and other receivables	349.2	312.4
Other financial assets	21.1	43.4
Cash and cash equivalents	124.4	56.7
Trade and other payables	(356.3)	(317.8)
Bank overdraft	(2.1)	(1.1)
Current tax liability	(8.5)	(9.6)
Other financial liabilities	(9.2)	(25.0)
	<u>244.9</u>	<u>178.6</u>

11. Notes to the cash flow statement

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

	2006	2005
	£m	£m
Operating profit	175.2	93.1
Adjustments for:		
(Profit)/loss on derivatives	(1.9)	1.7
Expense arising from share option plans	6.9	6.5
Profit on sale of other financial assets	(6.1)	(0.5)
Profit on sale of property, plant and equipment	(1.8)	-
Depreciation of property, plant and equipment	8.0	9.2
Amortisation of intangible assets	1.1	1.4
Assets written off	-	7.8
Increase/(decrease) in provisions for liabilities and charges	1.1	(4.1)
Outflow from retirement benefit obligations	(2.1)	(2.1)
Increase in non-current liabilities	1.1	2.2
Operating cash flows before movement in working capital	<u>181.5</u>	<u>115.2</u>
Decrease/(increase) in trade and other receivables	39.1	(45.4)
(Increase)/decrease in net settlement balances	(13.9)	38.3
Decrease/(increase) in net long and short positions	22.0	(6.8)
(Decrease)/increase in trade and other payables	(9.9)	24.3
Cash generated from operations	<u>218.8</u>	<u>125.6</u>
Income taxes paid	(41.1)	(23.7)
Interest paid	(14.1)	(13.1)
Net cash from operating activities	<u>163.6</u>	<u>88.8</u>

12. Cash flow from continuing operations

(a) Continuing cash flow statement

In addition to the statutory consolidated cash flow statement, an adjusted continuing cash flow statement which includes the cash flows between the Tullett Prebon and Collins Stewart businesses prior to demerger, is shown below.

	Notes	2006 £m	2005 £m
Net cash from continuing operating activities	12(b)	89.0	37.0
Investing activities – continuing operations			
Sale of other financial assets		7.4	3.4
Interest received		10.0	5.6
Proceeds on disposal of property, plant and equipment		2.0	-
Proceeds on disposal of available-for-sale investments		7.2	1.2
Purchase of intangible fixed assets		(0.6)	(1.5)
Purchase of property, plant and equipment		(4.1)	(12.4)
Acquisition of subsidiaries/investment in associates		-	(5.0)
Net receipts from Collins Stewart		11.2	46.0
Net cash from continuing investment activities		33.1	37.3
Financing activities – continuing operations			
Dividends paid		(33.8)	(18.3)
Dividends paid to minority interests		(0.2)	-
Issue of ordinary share capital		-	1.3
Purchase of own shares/cash settlement of share options		(14.6)	-
Taxation credit on share option exercises		0.3	-
Repayment of borrowings		-	(1.1)
Demerger transaction costs		(2.2)	-
Repayment of obligations under finance leases		(0.5)	(0.5)
Net cash used in continuing financing activities		(51.0)	(18.6)
Net increase in cash and cash equivalents from continuing operations		71.1	55.7
Net cash and cash equivalents at the beginning of the year from continuing operations		178.6	115.3
Effect of foreign exchange rate changes from continuing operations		(13.5)	7.6
Net cash and cash equivalents at the end of the year		236.2	178.6

(b) Reconciliation of continuing operating profit to net cash from continuing operating activities

	2006 £m	2005 £m
Continuing operations:		
Operating profit	114.8	52.4
Adjustments for:		
(Profit)/loss on currency derivatives	(1.9)	1.7
Expense arising from share option plans	5.0	4.6
Profit on sale of other financial assets	(6.1)	(0.5)
Profit on sale of property, plant and equipment	(1.8)	-
Depreciation of property, plant and equipment	6.9	8.1
Amortisation of intangible assets	1.1	1.2
Assets written off	-	7.8
Increase/(decrease) in provisions for liabilities and charges	0.6	(3.4)
Outflow from retirement benefit obligations	(2.1)	(2.1)
Increase in non-current liabilities	1.1	2.2
Operating cash flows before movement in working capital	117.6	72.0
Decrease/(increase) in trade and other receivables	29.6	(29.7)
(Increase)/decrease in net settlement balances	(8.0)	17.0
Decrease/(increase) in net long and short positions	7.7	(7.8)
(Decrease)/increase in trade and other payables	(16.3)	18.0
Cash generated from operations	130.6	69.5
Income taxes paid	(28.0)	(20.1)
Interest paid	(13.6)	(12.4)
Net cash from operating activities	89.0	37.0

13. Analysis of net funds

	Total operations	Continuing operations	
	At 1 January 2006 £m	At 1 January 2006 £m	At 31 December 2006 £m
Cash in hand and at bank	215.7	169.4	160.7
Cash equivalents	6.9	6.9	73.4
Client settlement money	12.7	2.3	2.3
Overdraft	(1.1)	-	(0.2)
	234.2	178.6	236.2
Loans due within one year	(0.1)	(0.1)	(0.1)
Loans due after one year	(150.2)	(150.2)	(148.7)
Finance leases	(3.5)	(3.5)	(3.2)
	(153.8)	(153.8)	(152.0)
Other trading investments	41.1	35.6	27.0
Total net funds	121.5	60.4	111.2

14. Settlement balances restatement

The Group has reviewed its clearing and settlement arrangements on certain matched principal transactions and it has been determined that certain transactions settled through American clearing corporations are not required to be recognised on the balance sheet. The 2005 comparative amounts have been restated accordingly. The impact is a reduction in 2005 settlement balances receivable and payable of £52,409.6m.

OTHER INFORMATION

The Annual General Meeting of Tullett Prebon plc will be held at Cable House, 54-62 New Broad Street, London EC2M 1ST on 7 June 2007 at 2.30pm.

The directors recommend payment of a final dividend in respect of 2006 of 6p per ordinary share. Subject to the shareholders' approval at the forthcoming Annual General Meeting, the dividend will be paid on 14 June 2007, to ordinary shareholders whose names are on the Register of Members on 25 May 2007.