

TULLETT PREBON GROUP HOLDINGS PLC

Report and Financial Statements

31 December 2008

DIRECTORS' REPORT

The directors present their annual report and financial statements for the year ended 31 December 2008.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £68,147,000 (2007: £13,286,000) and will be transferred to reserves.

During the year the directors paid a dividend of £91,500,000 (2007: £23,470,000).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The Company is a wholly owned subsidiary of Tullett Prebon plc.

The principal activity of the Company is that of a parent undertaking to its subsidiaries and other companies within the Tullett Prebon plc group (the "Group").

There have not been any significant changes in the Company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

During the year the Company entered into a forward foreign exchange contract to purchase US\$117,000,000 maturing in August 2009. A fair value gain of £4,600,000 has been recognised in the profit and loss account in 2008.

Available-for-sale investments comprise shares in Tullett Prebon plc held by the Tullett Prebon plc Employee Share Ownership Trust. During the year, 2,961,168 shares were delivered to Group employees resulting in a loss for the year of £13,895,000. The remaining shares held by the Trust were written down to their fair value resulting in a further £4,718,000 loss being recognised in the year.

PRINCIPAL RISKS AND UNCERTAINTIES

Management have the day-to-day responsibility for ensuring that the Company operates in accordance with the Group operational risk management framework. The Group has approved policies and procedures to manage credit, operational, liquidity and reputational risk.

Credit risk is the risk of financial loss to the Company in the event that a client or counterparty fails to settle its contractual obligations to the Company.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events.

Liquidity risk is the risk that the Company, in periods of corporate or market volatility, will not have access to an appropriate level of cash or funding to enable it to finance its ongoing operations and any other reasonable unanticipated events on cost effective terms.

Reputational risk is the risk that the Company's ability to do business might be damaged as a result of its reputation being tarnished.

These policies and procedures are outlined in the Group's Annual Report which does not form part of this report.

SOCIAL, ENVIRONMENTAL AND ETHICAL POLICY

The Company participates in the Group's policies relating to social, environmental and ethical matters. These policies are outlined in the Group's Annual Report.

DIRECTORS' REPORT (continued)

DIRECTORS

The following directors held office during the year:

P R Mainwaring

T C Smith

S A Neville (resigned 22 May 2008)

POLICY OF PAYMENT OF SUPPLIERS

It is the Group's policy that all transactions are settled in accordance with relevant terms and conditions of business agreed with the supplier, provided all such terms and conditions have been complied with.

DIRECTORS' INDEMNITIES

The Company's ultimate Parent, Tullett Prebon plc has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report

AUDITORS

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

A resolution to re-appoint Deloitte LLP as the auditors will be proposed at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors:



Alistair Peel
Company Secretary

Date: 13.3.09

Registered office:
Tower 42
Level 37
25 Old Broad Street
London
EC2N 1HQ

Registered No:
3904126

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TULLETT PREBON GROUP HOLDINGS PLC

We have audited the financial statements of Tullett Prebon Group Holdings plc for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte LLP



Chartered Accountants and Registered Auditors
London, UK

Date: 13/3/09

TULLETT PREBON GROUP HOLDINGS PLC

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2008

	<i>Notes</i>	<i>2008</i> <i>£000</i>	<i>2007</i> <i>£000</i>
Administrative expenses	4	(374)	(92)
OPERATING LOSS		(374)	(92)
Loss on available-for-sale investments	12	(18,613)	(14,938)
Dividends received from subsidiaries	5	74,583	23,470
Interest receivable and similar income	6	55,536	25,802
Interest payable and similar charges	7	(38,112)	(19,760)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		73,020	14,482
Tax charge on profit on ordinary activities	8	(4,873)	(1,196)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		68,147	13,286

Profit for the current year and prior year result solely from continuing operations.

TULLETT PREBON GROUP HOLDINGS PLC

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2008

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities after taxation	68,147	13,286
Revaluation of available-for-sale investments taken to equity	(4,718)	-
Transferred to profit or loss on impairment of available-for-sale investment	4,718	-
Total recognised gains for the year	<u>68,147</u>	<u>13,286</u>

TULLETT PREBON GROUP HOLDINGS PLC

BALANCE SHEET
as at 31 December 2008

	<i>Notes</i>	<i>2008</i> £000	<i>2007</i> £000
FIXED ASSETS			
Investments	10	327,383	333,649
		<u>327,383</u>	<u>333,649</u>
CURRENT ASSETS			
Debtors	11	312,877	322,714
Investments	12	1,946	20,559
Cash at bank and in hand		20,532	1,455
		<u>335,355</u>	<u>344,728</u>
CREDITORS: amounts falling due within one year	13	(38,031)	(69,191)
		<u>297,324</u>	<u>275,537</u>
NET CURRENT ASSETS			
		<u>624,707</u>	<u>609,186</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>624,707</u>	<u>609,186</u>
CREDITORS: amounts falling due after more than one year	13	(194,021)	(155,620)
		<u>430,686</u>	<u>453,566</u>
NET ASSETS			
		<u>430,686</u>	<u>453,566</u>
CAPITAL AND RESERVES			
Called up share capital	14	53,085	53,085
Share premium	15	250,939	250,939
Merger reserve	15	121,456	121,456
Revaluation reserve	15	-	-
Profit and loss account	15	5,206	28,086
		<u>430,686</u>	<u>453,566</u>
EQUITY SHAREHOLDERS' FUNDS			
		<u>430,686</u>	<u>453,566</u>

The financial statements were approved by the Board of Directors on **13** March 2008.

Signed on behalf of the Board of Directors:



P R Mainwaring
Director

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention except for the revaluation of certain financial instruments, and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

After consideration of the Company's risks and uncertainties as set out on page 1, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the going concern basis continues to be used in preparing these financial statements.

Group accounts

Tullett Prebon Group Holdings plc is exempt from the obligation to prepare and deliver group accounts. It is a wholly owned subsidiary of Tullett Prebon plc, a company registered in England and Wales.

Fixed asset investments

Investments in subsidiaries and associates are included in the Company balance sheet at cost less provision for impairment.

Cash flow statement

The Company is exempt from reporting a cash flow statement in accordance with FRS 1 Cash Flow Statements (revised 1996), as the Company is a wholly owned subsidiary of Tullett Prebon plc, which is registered in England and Wales and which prepares group financial statements which are publicly available.

Foreign currencies

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

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

Taxation

Corporation tax payable is provided on taxable profits at the rate applicable at the balance sheet date.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Related party transactions

The Company has taken advantage of reporting exemptions in accordance with FRS 8 Related Party Disclosures since it is a subsidiary of a group where greater than 90% of the voting rights are controlled within the group and the Group's parent financial statements are publicly available.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

1. ACCOUNTING POLICIES continued

Financial instruments

The Company has adopted FRS 25 Financial Instruments: Presentation and FRS 26 Financial instruments: Recognition and Measurement.

The Company is exempt from FRS 29 Financial instruments: Disclosures as it is a wholly owned subsidiary of Tullett Prebon plc whose consolidated financial statements are publicly available and include disclosures equivalent to that required under FRS 29.

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

Available-for-sale: The Company’s investment in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

Loans and receivables: Loans and receivables are non-derivative financial instruments that have fixed or determinable value. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised using the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Fair value through the profit and loss account: Financial assets and liabilities can be designated at fair value through the profit and loss account where they meet specific criteria set out in FRS26 “Financial Instruments: Recognition and Measurement” or where assets or liabilities are held for trading. Subsequent changes in fair value are recognised directly in the profit and loss account.

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

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

Non-derivative financial instruments comprise current asset investments, trade receivables, cash at bank and in hand, loans and borrowings, and trade payables.

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest rate method. Amortised cost is calculated taking into account any issue costs and any discounts or premium on settlement. Gains and losses are recognised in the profit and loss account when the liabilities are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

1. ACCOUNTING POLICIES continued

Derivative financial instruments

The Company uses derivative financial instruments such as foreign currency contracts to manage its risks associated with foreign currency fluctuations.

Derivative financial instruments classified on the balance sheet within debtors and creditors are stated at fair value.

The fair value of derivatives are calculated on a discounted cash flow basis using relevant market data on foreign exchange interest rates.

The Company does not currently designate derivative financial instruments as hedging instruments.

Share-based payments

The Company issued equity-settled share-based payments to certain Group employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

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

Employee Share Ownership Plans

The assets, liabilities and results of the Tullett Prebon plc Employee Share Ownership Trust are included in accordance with UITF Abstract 38 - Accounting for ESOP Trusts.

Segmental reporting

The Company has taken advantage of reporting exemptions in accordance with SSAP 25: Segmental reporting, since it is a subsidiary of a group which provides segmental information in compliance with this accounting standard.

TULLETT PREBON GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

2. STAFF COSTS

In 2008 the Company incurred no management charge (2007: nil) from Tullett Prebon Group Limited with respect to administration and management services performed for the Company.

There were no employees identified as being directly involved in the operation of the Company in 2008 (2007: nil).

3. DIRECTORS' EMOLUMENTS

The aggregate emoluments of persons who were Directors of the Company in respect of services to the Company and its subsidiaries were nil.

P R Mainwaring and T C Smith were directors of Tullett Prebon plc, the ultimate parent undertaking at 31 December 2008. Their total emoluments for the year are disclosed in the financial statements of Tullett Prebon plc.

4. OTHER OPERATING EXPENSES

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Legal and professional fees	374	68
Other operating costs	-	24
	<u>374</u>	<u>92</u>

A material proportion of the Company's expenditure, including auditors' remuneration for audit services of £21,000 (2007: £20,000) in respect of audit work, is incurred by Tullett Prebon Administration Limited.

5. DIVIDENDS RECEIVED FROM SUBSIDIARIES

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Received from TP Holdings Limited	<u>74,583</u>	<u>23,470</u>

TULLETT PREBON GROUP HOLDINGS PLC

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Group interest receivable	22,925	23,044
Exchange gains	26,199	-
Other interest receivable	1,812	1,160
Fair value gain on derivative financial instruments	4,600	1,598
	<u>55,536</u>	<u>25,802</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Group interest payable	3,804	5,116
Interest on other loans	12,757	13,210
Fair value loss on derivative financial instruments	21,551	668
Exchange losses	-	766
	<u>38,112</u>	<u>19,760</u>

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
UK Corporation tax charge	4,737	1,559
Adjustment to tax in respect of prior years	136	(363)
	<u>4,873</u>	<u>1,196</u>

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

8. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES continued

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are reconciled below.

	2008 £000	2007 £000
Profit on ordinary activities before tax	73,020	14,482
Profit on ordinary activities multiplied by standard rate of corporation tax in UK	20,811	4,345
Non taxable UK dividends	(21,256)	(7,041)
UK (income)/expenses not (taxable)/deductible	(108)	4,038
Overseas expenses not deductible	3,946	217
Impairment of available-for-sale investment	1,344	-
Tax under/(over) provided in previous years	136	(363)
Tax charge on ordinary activities for the year	4,873	1,196

9. DIVIDENDS PAID

	2008 £000	2007 £000
<i>Amounts recognised as distributions to equity holders in the year:</i>		
Interim dividend for the year ended 31 December 2008 of 43p per share	91,500	-
Final dividend for the year ended 31 December 2006 of 11p per share	-	23,470
	91,500	23,470

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

10. FIXED ASSET INVESTMENTS

Subsidiary undertakings

	2008 £000	2007 £000
Cost and net book value		
At 1 January	333,649	337,736
Adjustment to consideration on previous acquisition	(606)	(752)
Capital contribution to subsidiaries in respect of share based payments	465	2,805
Capital repayment from subsidiaries in respect of share based payments	(6,125)	(6,140)
At 31 December	327,383	333,649

There were no provisions for impairment at 1 January 2008 and 31 December 2008.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

10. FIXED ASSET INVESTMENTS continued

Additions relating to share-based payments are the contributions from the Company to its subsidiaries for the cost of share options at their fair value at grant date. Disposals relating to share based payments are the repayments of the Company's contributions by its subsidiaries for the cost of share options at their fair value at grant date.

The principal subsidiary of Tullett Prebon Group Holdings plc is TP Holdings Limited, which is wholly-owned and whose principal activity is that of a holding company. A full list of principal investments held by the Group can be found in the accounts of Tullett Prebon plc.

11. DEBTORS

11a. Debtors analysis

	2008 £000	2007 £000
Amounts owed by group undertakings: payable in less than one year	6,768	53,262
: payable in more than one year	301,484	262,270
Derivative financial instruments	4,600	7,179
Other debtors	25	3
	312,877	322,714

Floating rate intragroup financial instruments are re-priced at intervals of less than one year; their carrying amount therefore approximates to their fair value.

Fixed rate financial instruments are fixed until maturity of the instrument.

At 31 December 2008, amounts owed by group undertakings payable in more than one year include a fixed rate loan of £62,108,000 (2007: £45,019,000) at a rate of 6.34% until 31 December 2014. The fair value of this loan is £39,377,000 (2007: £45,197,000).

11b. Derivative financial instruments

Cross currency interest rate swap

In August 2004, the Company entered into a cross currency interest rate swap whereby it receives a fixed rate of interest of 8.25% and pays a variable interest rate equal to US LIBOR plus 2.69%. The notional amount of the swap is £64,170,000 with an exchange of principal of US\$117,000,000. The maturity date of the swap is August 2009. The counterparty to the swap is a financial institution with a credit rating of AA- at 31 December 2008.

A fair value loss of £21,551,000 has been recognised in the profit and loss account in 2008 (2007: gain £1,305,000).

The fair value of this cross currency interest rate swap at 31 December 2008 was a liability of £14,310,000 (2007: asset of £7,179,000).

Forward foreign exchange

During the year the Company entered into a forward foreign exchange contract to purchase US\$117,000,000 maturing in August 2009. A fair value gain of £4,600,000 (2007: nil) has been recognised in the profit and loss account in 2008.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

12. CURRENT ASSET INVESTMENTS

	2008 £000	2007 £000
<i>Available-for-sale investments</i>		
- listed	1,946	20,559

Available-for-sale investments comprise shares in Tullett Prebon plc held on behalf of the Company by the Tullett Prebon plc Employee Share Ownership Trust.

During the year, 2,961,168 (2007: 2,451,379) shares were delivered to Group employees resulting in a loss for the year of £13,895,000.

The decrease in fair value during the year, initially recognised in equity, resulted in the investment being deemed impaired. This has resulted in £4,718,000 loss being recognised in profit or loss that was previously recognised in equity.

13. CREDITORS

13a. Creditors: amounts falling due within one year

	2008 £000	2007 £000
Loan notes	-	142
Amounts owed to group undertakings	17,530	61,472
Corporation tax	688	2,052
Other taxation and social security	-	1
Accrued interest	4,814	4,813
Other payables	9	31
Owed to related parties other than group undertakings	680	680
Derivative financial instruments	14,310	-
	<u>38,031</u>	<u>69,191</u>

Floating rate intragroup financial instruments are re-priced at intervals of less than one year; their carrying amount therefore approximates to their fair value.

13b. Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Amounts owed to group undertakings	44,251	6,230
Eurobond	149,770	149,390
	<u>194,021</u>	<u>155,620</u>

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

13. CREDITORS continued

13c. External borrowings analysis

Current borrowings – loan notes

Guaranteed unsecured loan notes were issued by the Company in March 2003 and were redeemed in April 2008 (2007: £142,000 outstanding).

Non-current borrowings – £150m Eurobond

In August 2004 £150,000,000 8.25% Step-Up Coupon Subordinated Notes due 12 August 2014 were issued. The notes, which are unsecured, are callable by the company at any time after 12 August 2009 (“the Call Date”). After the Call Date the notes will bear interest calculated at 3.5% over the gross redemption yield of a gilt with a comparable maturity date. Unamortised transaction costs of £230,000 (2007: £610,000) are included and reduce the carrying value of the debt to £149,770,000 (2007: £149,390,000).

The fair value of the entire Eurobond is £104,561,000 (2007: £151,803,000).

13d. Related party transactions

The related party payable of £680,000 is due to the Collins Stewart plc ESOT arising from the separation of the ESOT at the time of the demerger of Tullett Prebon and Collins Stewart.

The amount outstanding is unsecured and will be settled in cash. No guarantees have been given or received.

Collins Stewart plc ESOT is a related party of Tullett Prebon Group Holdings plc because T C Smith is the Chairman of Collins Stewart plc, the parent of Collins Stewart plc ESOT.

14. SHARE CAPITAL

	<i>2008</i>	<i>2007</i>
	<i>£000</i>	<i>£000</i>
Authorised:		
284,699,447 (2007: 284,699,447) ordinary shares of 25p each and 1 deferred share of 25p (2007: 1)	71,175	71,175
	<u>71,175</u>	<u>71,175</u>
Allotted, called up and fully paid:		
212,338,140 (2007: 212,338,139) ordinary shares of 25p each and 1 deferred share of 25p (2007: 1)	53,085	53,085
	<u>53,085</u>	<u>53,085</u>

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2008

15. RECONCILIATION OF SHAREHOLDERS' FUNDS

	<i>Share Capital account £000</i>	<i>Share premium account £000</i>	<i>Merger reserve £000</i>	<i>Revaluation reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders' funds £000</i>
At 1 January 2007	53,085	250,939	121,456	-	35,465	460,945
Profit for the year	-	-	-	-	13,286	13,286
Dividend paid	-	-	-	-	(23,470)	(23,470)
Credit arising on share options	-	-	-	-	2,805	2,805
Balance at 31 December 2007	53,085	250,939	121,456	-	28,086	453,566
Profit for the year	-	-	-	-	68,147	68,147
Dividend paid	-	-	-	-	(91,500)	(91,500)
Credit arising on share-based payments	-	-	-	-	473	473
Revaluation of available-for-sale investments	-	-	-	(4,718)	-	-
Revaluation losses recognised in the period	-	-	-	4,718	-	-
Balance at 31 December 2008	53,085	250,939	121,456	-	5,206	430,686

16. SHARE-BASED PAYMENTS

The Group has a number of equity-based long term incentive plans for the granting of non-transferable options to certain employees and executives. Options granted under these plans, once vested, typically become exercisable three years after grant date. The exercise of options is dependent on option holders meeting performance criteria, all of which are non-market conditions. The maximum life of the options is ten years after grant date. Options are settled in equity once exercised, using shares held by an Employee Share Ownership Trust for this purpose.

Movements during the year are set out in note 12.

17. ULTIMATE PARENT UNDERTAKING

The Company's immediate and ultimate parent undertaking and controlling party is Tullett Prebon plc.

The parent undertaking of the largest and smallest group which includes the Company and for which group accounts are prepared is Tullett Prebon plc.

Copies of Tullett Prebon plc Group financial statements are available from the registered office: Tower 42, 25 Old Broad Street, London EC2N 1HQ (Correspondence Address: 155 Bishopsgate, London EC2M 3TQ).