

TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

Report and Financial Statements

31 December 2006

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TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

Report and Financial Statements  
31 December 2006

# **TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED**

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## **DIRECTORS' REPORT**

The directors present their annual report and financial statements for the year ended 31 December 2006

### **RESULTS AND DIVIDENDS**

The profit for the year, after taxation, amounted to £21,974,367 (2005 £11,746,000) and will be transferred to reserves

The directors made a dividend payment on the 29 December to the amount of £20,000,000 (2005 £nil)

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

The Company is a wholly owned subsidiary of Tullett Prebon plc and operates as part of the Group's European inter-dealer broker business. It is authorised and regulated by the Financial Services Authority

The Company's principal activity during the year continued to be that of an inter-dealer broker ("IDB") in the wholesale money, foreign exchange and off balance sheet financial instruments, providing services to banks, other financial institutions, local authorities and corporate clients. The Company operates a hybrid business model with liquidity pools being managed by voice brokers supported by proprietary screens which display historical data, analytics and real time prices. 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.

The Company continues to hire new brokers to enhance its capabilities in certain product areas and to seek out new areas to develop its product offering in the wholesale financial markets.

As shown in the Company's profit and loss account on page 7, the Company's revenue has increased by 16.7% over the prior year. The Company's operating profit before exceptional items was £29.4m, a £10.3m increase over 2005. This equates to an operating margin before exceptionals of 25.7% for the business compared with the 19.5% achieved in 2005.

The balance sheet on page 9 of the financial statements shows that the Company's financial position at the year ended is improved on prior year reflecting cash generated from operations and stringent working capital management.

The Tullett Prebon plc Group manages its European IDB broking operations on a regional basis. For this reason, the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the European IDB broking region, which includes the Company, is discussed in the Group's Annual Report which does not form part of this Report.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

Management in front office and support functions 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, market and reputational risk. These policies and procedures are outlined in the Group's Annual Report which does not form part of this report.

### **ENVIRONMENTAL POLICY**

The nature of the Company's activities is such that it has a minimal direct effect on the environment. However, management have agreed to adopt Group policies to safeguard the environment to meet statutory requirements or where such policies are commercially sensible.

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## DIRECTORS' REPORT

### EMPLOYEES

Details of the number of employees and related costs can be found in note 5 to the financial statements on page 13

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

### DIRECTORS AND THEIR INTERESTS

The following directors held office during the year

M P Bolton	R W Osborne (resigned 15 November 2006)
S Bright (resigned 15 November 2006)	L Page
N M Brown	R Parkes
S R Corker	N J J Potter
B Dennahy	S Rogers
S C Duckworth	A N Verrier (resigned 5 October 2006)
I Granat (resigned 15 February 2006)	A J D Wink
G D Harris	
S Horkulak	
S D Lewis	
C F McGauley (resigned 15 November 2006)	

A A Polydor was appointed a director of the Company on 24 January 2007

None of the directors had a beneficial interest in the issued share capital of the Company during the year

On 19 December 2006 Collins Stewart Tullett plc was split into two independent businesses with Tullett Prebon plc owning the inter-dealer broking business. The disclosable interest of the directors of Tullett Prebon (Treasury & Derivatives) Limited in the share capital of Tullett Prebon plc, the Company's ultimate parent, for the year under review and the movement during the year in their shareholdings was as follows

### SHARES IN TULLETT PREBON PLC

	<i>Shares at 1 January 2006*</i>	<i>Additions in year</i>	<i>Sold during 31 December year</i>	<i>Shares at 31 December 2006</i>
M P Bolton	93,727	29,885	-	123,612
N M Brown	11,002	-	-	11,002
S R Corker	19,905	16,540	-	36,445
B Dennahy	31,266	-	-	31,266
S C Duckworth	57,373	24,262	-	81,635
N J Potter	5,000	5,000	-	10,000
A J Wink	32,708	23,825	-	56,533
<i>Total</i>	<i>250,981</i>	<i>99,512</i>	<i>-</i>	<i>350,493</i>

\* The shares held by the directors were Collins Stewart Tullett plc shares until 15 December 2006

If not listed above, the director's shareholding in Tullett Prebon plc was nil at the beginning and at the end of the year

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## DIRECTORS' REPORT

### DIRECTORS AND THEIR INTERESTS (continued)

#### OPTIONS IN COLLINS STEWART TULLETT PLC

	<i>Exercise price</i>	<i>At 1 January 2006</i>	<i>Granted in year</i>	<i>Exercised during the year</i>	<i>Cancelled in year</i>	<i>At 31 December 2006</i>
M P Bolton	£3 49	90,000	-	90,000	-	-
S R Corker	£3 49	60,000	-	60,000	-	-
S C Duckworth	£3 49	90,000	-	90,000	-	-
A J Wink	£3 49	90,000	-	90,000	-	-
		<u>330,000</u>	<u>-</u>	<u>330,000</u>	<u>-</u>	<u>-</u>

If not listed above, the director's share options in Collins Stewart Tullett plc under this scheme were nil at the beginning and at the end of the year

The options listed above were exercisable between 29 April 2006 and 28 April 2013

#### OPTIONS IN TULLETT PREBON PLC

Following the scheme of arrangement between Collins Stewart Tullett plc and its shareholders which took effect on 15 December 2006, awards outstanding under the Tullett Liberty Equity Incentive Plan (the "EIP") were exchanged for equivalent awards over shares in Tullett Prebon plc under the terms of the rules of the EIP. Participants' rights were preserved and were unaffected by the scheme of arrangement and the demerger of Collins Stewart Tullett plc, although the performance target applicable to the awards was adjusted to reflect the transfer of part of the US equities business to Collins Stewart plc

Participants in the EIP and other option plans operated by the Group were allowed to exchange their outstanding options over ordinary shares in Collins Stewart Tullett plc for equivalent options over ordinary shares in Tullett Prebon plc. In order to preserve the economic value of the options, the number of shares over which options were held was increased by an amount equivalent to the average Collins Stewart Tullett plc share price for the four trading days immediately prior to the demerger divided by the average Tullett Prebon plc share price for the four trading days immediately following the demerger (a ratio of 1.35592:1). Further details of share based payments are given in note 19 to the accounts

#### TULLETT LIBERTY EQUITY INCENTIVE PLAN

	<i>Exercise price</i>	<i>At 1 January 2006*</i>	<i>Granted in year</i>	<i>Exercised during the year</i>	<i>Cancelled in year</i>	<i>At 31 December 2006</i>
M P Bolton	£1 in total	84,836	-	-	-	115,031
N M Brown	£1 in total	42,418	-	-	-	57,515
S R Corker	£1 in total	26,511	-	-	-	35,947
S C Duckworth	£1 in total	110,110	-	-	-	149,300
G D Harris	£1 in total	10,604	-	-	-	14,378
S Horkulak	£1 in total	53,022	-	-	-	71,893
S D Lewis	£1 in total	31,813	-	-	-	43,136
R G Parkes	£1 in total	10,604	-	-	-	14,378
N J Potter	£1 in total	25,000	-	-	-	33,898
A J Wink	£1 in total	84,836	-	-	-	115,031
		<u>479,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>650,507</u>

\* The options held by the directors were in Collins Stewart Tullett plc. These options were exchanged for options in Tullett Prebon plc on 15 December 2006

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## DIRECTORS' REPORT

### DIRECTORS AND THEIR INTERESTS (continued)

If not listed above, the director's share options in Tullett Prebon plc under the scheme were nil at the beginning and end of the year

The options listed are exercisable between 13 January 2007 and 12 January 2014

Since the year end the following directors' have exercised their option under the Tullett Liberty Equity Incentive Scheme

#### *Options exercised*

S R Corker	17,978
G D Harris	7,191
S Horkulak	35,956
S D Lewis	21,574
R G Parkes	7,191
N J Potter	12,034
A J Wink	57,530

### POLICY OF PAYMENT TO 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

### AUDITORS

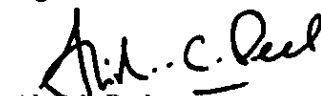
Each of the persons who is a director at the date of approval of this annual report confirms that

- 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

Pursuant to s386 Companies Act 1985, an elective resolution was passed on 16 March 2005 dispensing with the requirement to appoint auditors annually. Therefore, Deloitte & Touche LLP are deemed to continue as auditors

Signed on behalf of the Board of Directors



Alistair Peel  
Company Secretary  
Date 29.3.07

Registered office  
Cable House  
54-62 New Broad Street  
London  
EC2M 1ST

Registered No  
966604

## TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the Company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the Company, and of the profit or loss of the Company for that period and comply with UK GAAP and the Companies Act 1985. 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report which complies with the requirements of the Companies Act 1985.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED**

We have audited the financial statements of Tullett Prebon (Treasury & Derivatives) Limited for the year ended 31 December 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, and the related notes 1 to 20. 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 judgments 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 2006 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 & Touche LLP**

*Deloitte & Touche LLP*

Chartered Accountants and Registered Auditors

London

Date

*29<sup>th</sup> March 2007*



# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

		2006	2005
			(Restated)
	Notes	£000	£000
<b>TURNOVER</b>	2	114,261	97,888
Staff costs	5	(63,487)	(55,469)
Other administration expenses		(21,428)	(24,072)
Exceptional item IDB reorganisation costs	6	-	(1,860)
Total administration expenses		(84,915)	(81,401)
Other operating income	8	76	769
<b>OPERATING PROFIT</b>		29,422	17,256
Interest receivable and similar income	9	3,228	1,295
Interest payable and similar charges	10	-	(28)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		32,650	18,523
Tax charge on profit on ordinary activities	11	(10,676)	(6,777)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	18	21,974	11,746

Profit for the current and preceding year result solely from continuing operations

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2006

	2006	2005 (Restated)*
	£000	£000
Profit for the financial year	21,974	11,746
Total recognised gains for the year	<u>21,974</u>	<u>11,746</u>
Prior year adjustment (1)	4	201
Total recognised gains and losses since the last annual report and financial statements	<u>22,175</u>	

\* The statement of total recognised gains and losses for the year to 31 December 2006 has been restated for the adoption of FRS 20 Share based payments

(1) A prior period adjustment gives rise to a cumulative increase of £201,000 on opening reserves of which £136,000 related to 2005 and the balance of £65,000 relates to prior periods

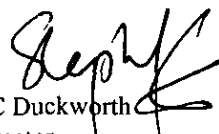
# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## BALANCE SHEET as at 31 December 2006

	Notes	2006 £000	2005 (Restated) £000
<b>FIXED ASSETS</b>			
Intangible assets	12	1,765	2,067
Investments	13	922	922
		<u>2,687</u>	<u>2,989</u>
<b>CURRENT ASSETS</b>			
Debtors	14	14,418	39,005
Cash at bank and in hand		28,626	-
		<u>42,044</u>	<u>39,005</u>
<b>CREDITORS: amounts falling due within one year</b>	16	(3,324)	(1,529)
<b>NET CURRENT ASSETS</b>		<u>39,720</u>	<u>37,476</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>42,407</u>	<u>40,465</u>
<b>NET ASSETS</b>		<u>42,407</u>	<u>40,465</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	10,000	10,000
Share premium account	18	2,051	2,051
Profit and loss account	18	30,356	28,414
<b>EQUITY SHAREHOLDERS' FUNDS</b>	18	<u>42,407</u>	<u>40,465</u>

The financial statements were approved by the Board of Directors on 29 March 2007

Signed on behalf of the Board of Directors

  
S C Duckworth  
Director

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2006

### 1 ACCOUNTING POLICIES

#### *Accounting convention*

The financial statements are prepared under the historical cost convention, and in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

#### *Goodwill*

Goodwill is the excess of purchase consideration over the fair value of the net assets acquired and is amortised on a straight line basis over a period of 10 years, being its estimated useful economic life

#### *Tangible fixed assets*

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

Plant and machinery, fixtures and fittings	4 years
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#### *Fixed asset investments*

Fixed asset investments including subsidiaries and associates are shown at cost less provision for impairment

#### *Cash flow statement*

The Company is exempt from reporting a cashflow statement in accordance with FRS 1 (revised), 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

#### *Turnover*

Turnover represents the invoiced value of net brokerage excluding value added tax

#### *New start incentives*

Such payments are amortised over the period of services to which they relate

#### *Foreign currencies*

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

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

#### *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 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 that are included in the financial statements. Deferred tax assets are recognised to the extent that it is 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 since it is a subsidiary of a group where greater than 90% of the voting rights are controlled within the group and the groups' parent financial statements are publicly available

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2006

### 1. ACCOUNTING POLICIES (continued)

#### *Share-based payments*

FRS 20 Share-based Payments has been applied to all grants of equity instruments after 7 November 2002 that had not vested as of 1 January 2006 in accordance with the provisions of that standard

The Group issues equity-settled share-based payments to certain 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 are expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The 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.

### 2. TURNOVER

Turnover is analysed by geographic area as follows

	2006 £000	2005 £000
Europe	97,678	82,878
North America	15,456	14,010
Asia Pacific	1,127	1,000
	<u>114,261</u>	<u>97,888</u>

### 3. OPERATING PROFIT

This is stated after charging

	2006 £000	2005 £000
Goodwill amortisation	302	303
Auditors remuneration for audit services	60	56
	<u>362</u>	<u>359</u>

A material proportion of the Company's expenditure, including auditors' remuneration in respect of audit and non-audit work is incurred by Tullett Prebon Administration Limited (formerly Prebon Administration Limited). This is recovered from the Company by way of a management charge.

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

### 4 PRIOR YEAR ADJUSTMENT

The Company has adopted the accounting treatment set out in FRS 20 Share based payments (refer to accounting policy note) The comparative figures in the primary statements and notes have been restated to reflect the new policy

The effects of the change in policy are summarised below

	<i>2005</i> <i>£000</i>
<b>Profit and loss account</b>	
Staff costs	414
Deferred tax credit	(136)
Decrease in profit for the financial year	<u>278</u>
<b>Balance sheet</b>	
Debtors	201
Increase in net assets	<u>201</u>
	<i>2005</i> <i>£000</i>
<b>Cumulative effect of prior period adjustment shown in the statement of total recognised gains and losses</b>	
Cumulative share option expense	(670)
Cumulative credit arising on share options	670
Deferred tax attributable to share option expense	201
Prior period adjustment	<u>201</u>

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2006

### 5. STAFF COSTS

	2006	2005 (Restated)
	£000	£000
Wages and salaries	55,607	48,665
Social security costs	6,891	6,018
Other pensions costs	989	786
	<u>63,487</u>	<u>55,469</u>

The Company's operations are carried out by employees of Tullett Prebon Group Limited (formerly Tullett Prebon Limited). Staff costs represent amounts charged to the Company as a direct allocation of expenses by Tullett Prebon Group Limited. During the year, the average monthly number of employees identified as being directly involved in the operation of the Company was 198 (2005: 202).

A Group pension scheme is operated for the employees of Tullett Prebon Group Limited. The scheme previously provided benefits based on final pensionable pay, but effective 1 November 1991 the scheme was converted to a defined contribution scheme. Employees in service at the date of the change receive benefits on the better of the two bases.

Full details of the defined benefit scheme including the main financial assumptions, are disclosed in accordance with FRS 17 in the financial statements of Tullett Prebon Group Limited.

The pension charge for the year was £989,005 (2005: £786,000) which represents a direct allocation of expenses by Tullett Prebon Group Limited.

### 6. EXCEPTIONAL ITEM

There were no exceptional items in 2006. The exceptional charge of £1,860,000 in 2005 related to the cost associated with the integration of FPG Holdings Limited.

### 7. DIRECTORS' EMOLUMENTS

	2006	2005
	£000	£000
Emoluments (including pension contributions)	<u>10,248</u>	<u>10,398</u>
Company contributions paid to pension schemes	<u>87</u>	<u>131</u>

At 31 December 2006 retirement benefits were accruing to thirteen directors (2005: 18) under a defined contribution scheme.

The amount in respect of the highest paid director is as follows:

	2006	2005
	£000	£000
Emoluments (excluding pension contributions)	<u>2,003</u>	<u>2,381</u>
Company contributions paid to pension schemes	<u>6</u>	<u>16</u>

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

### 7. DIRECTORS' EMOLUMENTS (continued)

Details of directors' share options are provided in the Directors' Report on page 3

### 8. OTHER OPERATING INCOME

Other income includes insurance claims of £61,000 (2005 £769,000) in respect of costs incurred and revenues lost as a result of a fire at the Company's head office

	2006 £000	2005 £000
Insurance claim	61	769
Miscellaneous income	15	-
	<u>76</u>	<u>769</u>

### 9 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £000	2005 £000
Group interest receivable	3,180	1,295
Other interest receivable	48	-
	<u>3,228</u>	<u>1,295</u>

### 10. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £000	2005 £000
Group interest payable	-	28
	<u>-</u>	<u>28</u>



# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

### 11. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2006 £000	2005 (Restated) £000
Current tax		
UK corporation tax charge on profit for the year	10,862	6,758
Adjustment to tax in respect of prior years	(53)	155
Total current tax	10,809	6,913
Deferred tax		
(Origination) of timing differences	(133)	(136)
Tax charge on profit on ordinary activities	10,676	6,777

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

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 30%) The differences are reconciled below

	2006 £000	2005 (Restated) £000
Profit on ordinary activities before tax	32,650	18,523
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	9,795	5,557
Expenses not deductible for tax purposes	971	1,077
Stock options expensed in excess of stock option charge	96	124
Adjustment to tax in respect of previous periods	(53)	155
Current tax charge for the year	10,809	6,913

The tax credit on reorganisation totalled £nil (2005 £569,100)

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

### 12 INTANGIBLE ASSETS

Intangible assets relate to goodwill (the fair value of assets acquired less the cost of acquisition) from the acquisition of businesses from Tullett Liberty GmbH, another group company, on 1 November 2002. Goodwill is being amortised over its estimated useful life of 10 years.

	<i>Intangible assets £000</i>
Cost	
At 1 January 2006	3025
Additions	-
At 31 December 2006	3025
Amortisation	
At 1 January 2006	958
Charge for the year	302
At 31 December 2006	1260
Net book value	
At 31 December 2006	1765
At 31 December 2005	2067

### 13. FIXED ASSET INVESTMENTS

	<i>Total investments £000</i>
At 1 January 2006	922
At 31 December 2006	922
Net book value	
At 31 December 2006	922
At 31 December 2005	922

The investment has not been revalued in the financial statements but the directors consider that the market value at 31 December 2006 was not less than the net book value shown in the financial statements.

<i>Company</i>	<i>Business</i>	<i>Country of incorporation</i>	<i>% held</i>
Tullett Prebon Sitico (China) Limited	Derivatives and money broking	China	33%

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

### 14. DEBTORS

	2006	2005 (Restated)
	£000	£000
Amounts falling due within one year		
Trade debtors	12,454	16,380
Amounts owed by group undertakings	-	20,753
Deferred tax (Note 15)	334	201
Prepayments and accrued income	1,630	1,671
	<u>14,418</u>	<u>39,005</u>

### 15 DEFERRED TAX ASSET

	2006	2005 (Restated)
	£000	£000
Deferred tax arises		
Share based payment (note 14)	334	201
Deferred tax asset	<u>334</u>	<u>201</u>

	2006	2005 (Restated)
	£000	£000
Movements during the year		
At 1 January	201	65
Credited to profit and loss account	133	136
At 31 December	<u>334</u>	<u>201</u>

### 16. CREDITORS: amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	828	922
Amounts owed to group undertakings	1,345	-
Corporation tax	950	327
Accruals and deferred income	201	280
	<u>3,324</u>	<u>1,529</u>

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

### 17. SHARE CAPITAL

	2006 £000	2005 £000
Authorised 10,000,000 ordinary shares of £1 each	10,000	10,000
	£000	£000
Allotted, called up and fully paid 10,000,000 ordinary shares of £1 each	10,000	10,000

### 18. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £000	Share premium account £000	Profit and loss account £000	Total equity shareholders' funds £000
At 1 January 2005 as previously stated	10,000	2,051	16,189	28,240
UK deferred tax attributable to share options expense	-	-	65	65
At 1 January 2005 as restated	10,000	2,051	16,254	28,305
Profit for the year	-	-	11,746	11,746
Credit arising on share options	-	-	414	414
At 1 January 2006 as restated	10,000	2,051	28,414	40,465
Profit for the year	-	-	21,974	21,974
Dividend	-	-	(20,000)	(20,000)
Charge arising on share options	-	-	(32)	(32)
At 31 December 2006	10,000	2,051	30,356	42,407

### 19. 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 the plans vest on the first day on which they become exercisable, which is typically 3 years after grant date. The exercise of options within some of the option schemes is also dependent on option holders meeting performance criteria, all of which are non-market conditions. The maximum life of the options is ten years. These options are settled in equity once exercised and, dependent on the option scheme, will be settled either with new shares issued or shares purchased in the market.

Further details of the changes that took place to existing options as a result of the demerger are given in the Director's Report on page 3.

The following table summarises the share option schemes that existed during the 12 months to 31 December 2006 and the estimated fair values of options granted.

# TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

### 19. SHARE BASED PAYMENTS (continued)

Share option scheme	Options outstanding 2006	Estimated fair value (3)
Tullett Liberty Equity Incentive Plan (1)	517,634	277 – 328p
	<u>517,634</u>	

The following table shows the number and weighted average exercise price for all share options outstanding

	Notes	2006 Number of Options	2006 Weighted average exercise price (p)	2005 Number of options	2005 Weighted average exercise price (p)
Outstanding at start of the year	(2)	561,759	112	567,724	111
Forfeited during the year		-	-	(5,965)	nil
Exercised during the year		(180,000)	349	-	-
Total prior to demerger		381,759		561,759	
Conversion to Tullett Prebon options		135,875	nil	-	-
Outstanding at end of year	(3)	517,634	nil	561,759	112
Exercisable at end of year		nil	-	nil	-

#### Notes

- (1) Subject to revenue and margin performance conditions
- (2) Options over Collins Stewart Tullett plc shares
- (3) Rebased with a conversion ratio of 1 35592 Tullett Prebon plc options for each Collins Stewart Tullett plc option

The estimated fair value of each option granted was calculated by applying a Black-Scholes option pricing model. The model inputs were the share price at grant date, exercise price, expected volatility, expected dividends based on historical dividend payment, expected life of the option until exercise and a risk-free interest rate based on government securities with a similar maturity profile.

The model inputs for each option scheme are set-out below

	Notes	Tullett Liberty Equity Incentive Plan
Share price at date of grant (p)	(3)	274-347
Exercise price (p)	(3)	nil
Expected volatility		30%
Expected life (years)		3-3.2
Risk free rate		4.50%
Expected dividend yield		2.0%
Likelihood of ceasing employment before vesting		nil
Proportion meeting performance criteria		100%

## TULLETT PREBON (TREASURY & DERIVATIVES) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

#### 19. SHARE BASED PAYMENTS (continued)

The weighted average contractual life for the share options outstanding as at 31 December 2006 is 7.6 years (2005: 8.2 years)

	2006 £000	2005 £000
Expense arising from share option plans	603	414

#### 20. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Tullett Liberty (European Holdings) Limited

The Company's ultimate parent undertaking and controlling party was Collins Stewart Tullett plc prior to 19 December 2006. From 20 December 2006, following a demerger, the ultimate parent 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: Cable House, 54-62 New Broad Street, London EC2M 1ST.