

TULLETT PREBON (UK) LIMITED

Report and Financial Statements

31 December 2006



TULLETT PREBON (UK) LIMITED

Report and Financial Statements
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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 £11,656,307 (2005 profit £7,040,174) and will be transferred to reserves

The directors do not recommend payment of a dividend (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, securities and energy markets, 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 decreased by 0.6% over the prior year. The Company's operating profit before exceptional items was £16.1m, a £1m increase over 2005. This equates to an operating margin before exceptionals of 18.6% for the business compared with the 17.3% 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, in both net assets and cash terms, significantly improved on prior year reflecting cash generated from operations and stringent working capital management.

The Tullett Prebon plc Group manages its European IDB 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 region, which includes the Company, is discussed in the Group 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 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 (UK) 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 12-13

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

DIRECTORS AND THEIR INTERESTS

The following directors held office during the period

S L Bright (resigned 15 November 2006)
S R Corker
S C Duckworth
I J Granat (resigned 15 November 2006)
K McDermott (resigned 15 November 2006)
R W Osborne (resigned 15 November 2006)
A A Polydor
N J Potter
T C Smith
A N Verrier (resigned 5 October 2006)

M P Bolton was appointed a director of the Company on 24 January 2007

T C Smith is a director of Tullett Prebon plc, the ultimate parent undertaking at 31 December 2006, and his interest in the share capital of Group companies is disclosed in the financial statements of Tullett Prebon plc

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 IDB business. The disclosable interest of the directors of the Company 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 shareholding 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>
S R Corker	19,905	16,540	-	36,445
S C Duckworth	57,373	24,262	-	81,635
N J Potter	5,000	5,000	-	10,000
A A Polydor	-	10,000	-	10,000
<i>Total</i>	<u>82,278</u>	<u>55,802</u>	<u>-</u>	<u>138,080</u>

* 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 (UK) 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 year</i>	<i>Cancelled in year</i>	<i>At 31 December 2006</i>
S R Corker	£3 49	60,000	-	60,000	-	-
S C Duckworth	£3 49	90,000	-	90,000	-	-
		<u>150,000</u>	<u>-</u>	<u>150,000</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 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 20 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 year</i>	<i>Cancelled in year</i>	<i>At 31 December 2006</i>
S R Corker	£1 in total	26,511	-	-	-	35,947
S C Duckworth	£1 in total	110,110	-	-	-	149,300
A A Polydor	£1 in total	25,000	-	-	-	33,898
N J Potter	£1 in total	25,000	-	-	-	33,898
		<u>186,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,043</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

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

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

DIRECTORS' REPORT

DIRECTORS AND THEIR INTERESTS (continued)

Since the year end N J Potter and S R Corker have exercised their option under the Tullett Liberty Equity Incentive Scheme over 12,034 and 17,978 shares respectively

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

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 of the Companies Act 1985, an elective resolution was passed on 2 August 1993 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

Alistair Peel
29.3.07

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

Registered No
1908771

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 AUDITOR'S REPORT TO THE MEMBERS OF TULLETT PREBON (UK) LIMITED

We have audited the financial statements of Tullett Prebon (UK) 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 21. 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 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

29th March 2007

TULLETT PREBON (UK) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

	Notes	2006 £000	2005 (Restated) £000
TURNOVER	2	86,447	86,989
Staff costs	5	(50,670)	(50,830)
Other administration expenses		(19,778)	(21,093)
Exceptional item IDB reorganisation costs	6	-	(4,707)
Total administration expenses		(70,448)	(76,630)
Other operating income	8	79	-
OPERATING PROFIT	3	16,078	10,359
Interest receivable and similar income	9	2,682	1,429
Interest payable and similar charges	10	(1,144)	(1,628)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		17,616	10,160
Tax charge on profit on ordinary activities	11	(5,960)	(3,120)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	11,656	7,040

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

TULLETT PREBON (UK) LIMITED

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

		2006	2005 (Restated)*
	Notes	£000	£000
Profit for the financial year		11,656	7,040
Actuarial gain/(loss) relating to the pension scheme	19	951	(477)
UK deferred tax attributable to actuarial (gain)/loss	13	(285)	100
Total recognised gains for the year		<u>12,322</u>	<u>6,663</u>
Prior year adjustment (1)	4	<u>11</u>	
Total recognised gains and losses since the last annual report and financial statements		<u>12,333</u>	

* The statement of total recognised gains and losses for the year to 31 December 2005 has been restated for the adoption of FRS 20 Share based payments

(1) A prior period adjustment gives rise to a cumulative increase of £11,000 on opening reserves of which £10,000 related to 2005 and the balance of £1,000 relates to prior periods

TULLETT PREBON (UK) LIMITED

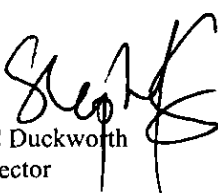
BALANCE SHEET as at 31 December 2006

	Notes	2006 £000	2005 (Restated) £000
CURRENT ASSETS			
Debtors	12	11,968	23,372
Cash at bank and in hand		31,619	409
CREDITORS amounts falling due within one year	14	(11,683)	(8,463)
NET CURRENT ASSETS		<u>31,904</u>	<u>15,318</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		31,904	15,318
CREDITORS amounts falling due after more than one year	15	(8,000)	(3,000)
PENSION AND SIMILAR OBLIGATIONS	13,16,19	(1,172)	(1,981)
NET ASSETS		<u>22,732</u>	<u>10,337</u>
CAPITAL AND RESERVES			
Called up share capital	17	29,000	29,000
Share premium account	18	21	21
Profit and loss account	18	(6,289)	(18,684)
EQUITY SHAREHOLDERS' FUNDS	18	<u>22,732</u>	<u>10,337</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

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2006

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been 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 three years, being its estimated useful economic life

Cash flow statement

The Company is exempt from reporting a cash flow 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

Pension schemes

The Company follows the accounting treatment set out in FRS17 Accounting for retirement benefits

Contributions to the defined contribution pension schemes are charged to the profit and loss account as and when incurred

For defined benefit retirement plans, the cost of providing the benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each reported balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the profit and loss account and are presented in the statement of total recognised gains and losses

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions

Taxation

Corporation taxation 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 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

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2006

1. ACCOUNTING POLICIES (continued)

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 group's parent financial statements are publicly available

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 adoption of FRS 20 has resulted in a prior year adjustment (see note 4). The Company has early adopted UITF Abstract 44 Group and Treasury Share Transactions from the same date.

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	80,051	80,098
North America	4,896	5,015
Asia Pacific	1,500	1,876
	<u>86,447</u>	<u>86,989</u>

3. OPERATING PROFIT

This is stated after charging/(crediting)

	2006 £000	2005 £000
Goodwill amortisation	-	108
Exchange losses/(gains) on foreign currency debtors	568	(214)
Auditors remuneration for audit services	<u>50</u>	<u>50</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 (UK) 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>
Profit and loss account	
Staff costs	34
Deferred tax credit	(10)
	<u>24</u>
Decrease in profit for the financial year	<u>24</u>

	<i>2005</i> <i>£000</i>
Balance sheet	
Debtors	11
Increase in net assets	<u>11</u>

	<i>2005</i> <i>£000</i>
Cumulative effect of prior period adjustment shown in the statement of total recognised gains and losses	
Cumulative share option expense	(37)
Cumulative credit arising on share options	37
Deferred tax attributable to share option expense	11
Prior period adjustment	<u>11</u>

5. STAFF COSTS

	<i>2006</i> <i>£000</i>	<i>2005</i> <i>(Restated)</i> <i>£000</i>
Wages and salaries	44,868	45,163
Social security costs	5,399	5,364
Other pension costs	403	303
	<u>50,670</u>	<u>50,830</u>

TULLETT PREBON (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

5. STAFF COSTS (continued)

The Company employs a number of staff who are seconded full-time to a fellow subsidiary undertaking. The analysis above excludes the costs and numbers of these employees. Some of the Company's operations are carried out by employees of Tullett Prebon Group Limited (formerly Tullett Prebon Limited). The above analysis includes the costs and numbers of these employees. During the year, the average monthly number of employees (including directors) identified as being directly involved in the operation of the Company was 208 (2005: 239).

6. EXCEPTIONAL ITEM. IDB REORGANISATION COSTS

There were no exceptional items in 2006. The exceptional charge of £4.7m in 2005 related to the costs associated with the integration of FPG Holding Limited.

7. DIRECTORS' EMOLUMENTS

	2006 £000	2005 £000
Emoluments (including pension contributions)	3,377	2,953
Company contributions paid to pension schemes	4	3

At 31 December 2006 retirement benefits were accruing to 3 (2005: 2) directors under a defined contribution scheme.

The amounts in respect of the highest paid director are as follows:

	2006 £000	2005 £000
Emoluments (excluding pension contributions)	772	1,242
Company contributions paid to pension schemes	0	1

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

T C Smith is a director of Tullett Prebon plc, the ultimate parent undertaking at 31 December 2006. His total emoluments for the year are disclosed in the financial statements of Tullett Prebon plc. The directors do not believe it is practicable to apportion this amount between his services as a director of the immediate parent undertaking, of fellow subsidiary undertakings and of this company.

8. OTHER OPERATING INCOME

Other operating income includes insurance claims of £44,000 (2005: £nil) 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	44	-
Other	35	-
	79	-

TULLETT PREBON (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2006

9. INTEREST RECEIVABLE AND SIMILAR INCOME

	2006	2005
	£000	£000
Group interest receivable	2,307	1,130
Other interest receivable	375	299
	<u>2,682</u>	<u>1,429</u>

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£000	£000
Group interest payable	690	1,275
Other interest payable	454	353
	<u>1,144</u>	<u>1,628</u>

11. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
	£000	(Restated) £000
Current tax		
UK corporation tax charge on profit for the year	5,833	287
Adjustment to tax in respect of prior years	87	577
	<u>5,920</u>	<u>864</u>
Deferred tax		
Reversal of timing differences	40	3,660
Tax over provided in prior years	-	(1,404)
Tax charge on profit on ordinary activities	<u>5,960</u>	<u>3,120</u>

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2006

11. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES (continued)*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	2005 (Restated)
	£000	£000
Current tax		
Profit on ordinary activities before tax	17,616	10,160
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK	5,285	3,048
Expenses not deductible for tax purposes	756	912
Timing differences	(40)	(49)
Utilisation of losses	(168)	(3,624)
Adjustment to tax in respect of previous periods	87	577
Current tax charge for the year	5,920	864

The tax credit on reorganisation costs totalled £nil (2005 £1,412,000)

12. DEBTORS

	2006	2005 (Restated)
	£000	£000
Amounts falling due within one year		
Trade debtors	8,753	13,067
Amount due from group undertakings	-	4,027
Amounts due from fellow subsidiary undertakings	2,293	5,140
Deferred tax asset (note 13)	33	11
Other debtors	53	78
Prepayments and accrued income	836	1,049
	11,968	23,372

13. DEFERRED TAX ASSET

	2006	2005 (Restated)
	£000	£000
Deferred tax asset	536	861
Deferred tax arises		
Pension deficit	503	850
Share based payment (note 12)	33	11
Deferred tax asset	536	861

TULLETT PREBON (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

13 DEFERRED TAX ASSET (continued)

	2006	2005 (Restated)
	£000	£000
Movements during the year		
At 1 January	861	3,017
(Charged) to profit and loss account	(40)	(2,256)
(Charged)/credited to statement of total recognised gains and losses	(285)	100
At 31 December	536	861

Deferred tax in respect of the company's defined benefit pension scheme of £503,000 (2005 £850,000) has been netted from the pension liability on the balance sheet as disclosed in note 16 and note 19

14. CREDITORS: amounts falling due within one year

	2006	2005
	£000	£000
Trade creditors	292	315
Amount owed to group undertakings	-	7,047
Corporation tax	2,917	102
Other creditors	185	893
Accruals and deferred income	8,289	106
	11,683	8,463

15. CREDITORS: amounts falling due after more than one year

	2006	2005
	£000	£000
Amount owed to group undertaking	8,000	3,000

Amounts owed to Group undertaking represent subordinated loans of £8,000,000 (2005 £3,000,000). One loan of £3,000,000 bears interest at LIBOR plus 2.5% and is repayable within three years. A second loan of £5,000,000 bears interest at LIBOR plus 2.5% and is repayable within two years.

16. PENSION AND SIMILAR OBLIGATIONS

	Deferred tax on pension £000	Pension deficit £000	Total £000
At 1 January 2005	850	(2,831)	(1,981)
Credited/ (charged) to profit and loss account	12	(42)	(30)
(Charged)/ credited to statement of total recognised gains and losses	(285)	951	666
Employer's contributions	(74)	247	173
	503	(1,675)	(1,172)

TULLETT PREBON (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

17. SHARE CAPITAL

	2006 £000	2005 £000
Authorised 300,000,000 ordinary shares of 10p each	30,000	30,000
	£000	£000
Allotted, called up and fully paid 290,000,000 ordinary shares of 10p each	29,000	29,000

18. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Share capital £000	Share premium £000	Profit and loss account £000	Total equity shareholders' funds £000
At 1 January 2005 as previously stated	27,500	21	(25,382)	2,139
UK deferred tax attributable to share options expense	-	-	1	1
At 1 January 2005 as restated	27,500	21	(25,381)	2,140
Profit for the year	-	-	7,040	7,040
Issue of ordinary shares	1,500	-	-	1,500
Actuarial loss relating to the pension scheme	-	-	(477)	(477)
UK deferred tax attributable to actuarial loss	-	-	100	100
Credit arising on share options	-	-	34	34
At 1 January 2006 as restated	29,000	21	(18,684)	10,337
Profit for the year	-	-	11,656	11,656
Actuarial gain relating to the pension scheme	-	-	951	951
UK deferred tax attributable to actuarial gain	-	-	(285)	(285)
Credit arising on share options	-	-	73	73
At 31 December 2006	29,000	21	(6,289)	22,732

19. PENSIONS

The Company is the principal employer of a defined benefit (final salary) funded pension scheme called the Prebon Yamane (Ex K-W) Pension Scheme. All liabilities recognised in these disclosures are those in respect of the scheme.

Contributions to the scheme are determined on the basis of regular actuarial valuations. A full actuarial valuation was carried out at 1 January 2004 and updated to 31 December 2006 by an independent qualified actuary using approximate actuarial techniques and available information.

The employer contributions to the scheme for the year ending 31 December 2006 were £11,889 in regular contributions (2005 £44,494) and £235,000 (2005 £235,000) in additional payments. The current arrangements as regards to contribution rates are described in a Schedule of Contributions dated 12 October 2004.

The scheme was closed to new members in 1989 and since April 2006 future accrual on a defined benefit basis has ceased. Members receive benefits on the better of a money purchase underpin and a defined benefit basis. For the two members in service in April 2006 there is a continuing link between the benefits and pensionable pay.

TULLETT PREBON (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

19. PENSIONS (continued)

The main financial assumptions used by the independent qualified actuary to calculate the liabilities under FRS 17 were

	<i>At 31 December 2006</i>	<i>At 31 December 2005</i>	<i>At 31 December 2004</i>
Expected rate of increase in salaries	4.35% pa	4.15% pa	4.00% pa
Rate of LPI increases to pensions in payment ⁽¹⁾	3.10% pa	2.80% pa	2.75% pa
Discount rate	5.10% pa	4.70% pa	5.30% pa
Inflation assumption	3.10% pa	2.90% pa	2.75% pa
Rate of revaluation of deferred pensions in excess of the GMP	3.10% pa	2.90% pa	2.75% pa

¹ This applies to pensions accrued from 6 April 1997 and to post 1988 guaranteed minimum pension (GMP). Other pension benefits receive no increases.

The mortality assumptions are based on a standard mortality table which allows for future mortality improvements and are the same as those adopted for the 2004 funding valuation. The assumptions are that a member who retires in future at 60 will live for a further 24 years after retirement if they are male and for a further 27 years after retirement if they are female. Current pensioners are assumed to have a consistent but generally shorter life expectancy. These assumptions will be reviewed as part of the 2007 funding valuation.

The assets in the scheme and the expected rate of return were

	<i>Long term rate of return expected at 31 December 2006 (per annum)</i>	<i>Value at 31 December 2006 £000</i>	<i>Long term rate of return expected at 31 December 2005 (per annum)</i>	<i>Value at 31 December 2005 £000</i>	<i>Long term rate of return expected at 31 December 2004 (per annum)</i>	<i>Value at 31 December 2004 £000</i>
Equities	7.25%	6,358	7.00%	4,410	7.00%	3,657
Corporate bonds	-%	-	4.70%	155	5.30%	150
Government bonds	-%	-	4.25%	453	4.50%	320
Other	4.50%	66	4.00%	502	4.75%	277
Total market value of assets		6,424		5,520		4,404
Present value of scheme liabilities		(8,099)		(8,351)		(6,921)
(Liability) in the scheme		(1,675)		(2,831)		(2,517)
Related deferred tax asset		503		850		755
Net pension liability		(1,172)		(1,981)		(1,762)

TULLETT PREBON (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2006

19. PENSIONS (continued)

Analysis of the amounts charged to operating profit

	2006 £000	2005 £000
Current service cost	47	48
Part service cost	-	-
Curtailments	(35)	-
Total operating charge	12	48

Analysis of the amount credited/(charged) to interest received/(payable)

	2006 £000	2005 £000
Expected return on pension scheme assets	360	298
Interest on pension scheme liabilities	(390)	(366)
Net cost	(30)	(68)

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses

	2006 £000	2005 £000
Actual return less expected return on pension scheme assets	403	613
Experience gains/(losses) arising on the scheme liabilities	31	(14)
Changes in assumptions underlying the present value of the scheme liabilities	517	(1,076)
Actuarial gain/(loss) recognised in the statement of total recognised gains and losses	951	(477)

Movement in scheme deficit during the year

	2006 £000	2005 £000
Deficit at start of the period	(2,831)	(2,517)
Employer's current service cost	(47)	(48)
Curtailments	35	-
Employer's contributions	247	279
Other finance cost	(30)	(68)
Actuarial gain/(loss)	951	(477)
Deficit at end of the year	(1,675)	(2,831)

NOTES TO THE FINANCIAL STATEMENTS
as at 31 December 2006

19. PENSIONS (continued)**History of experience gains and losses**

	2006 £000	2005 £000	2004 £000	2003 £000
Difference between the expected and actual return on scheme assets:				
Amount	403	613	157	561
Percentage of scheme assets	6%	11%	4%	14%
Experience gains/(losses) on scheme liabilities				
Amount	31	(14)	83	(49)
Percentage of the present value of scheme liabilities	-%	(-%)	1%	(1%)
Total actuarial gain/(loss) in the statement of total recognised gains and losses:				
Amount	951	(477)	(278)	512
Percentage of the present value of scheme liabilities	12%	(6%)	(4%)	8%

Projected pension expense for next year:

	2007 £000
Analysis of the amount charged to the operating profit	
Current service cost	-
Past service cost recognition	-
Total operating charge	-
	2007 £000
Analysis of the amount credited to other finance income	
Expected return on pension scheme assets	468
Interest on pension liabilities	(410)
Total net return	58

20. 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 on the changes that took place to existing options as a result of the demerger are given in the Directors' Report on page 3.

TULLETT PREBON (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

20. SHARE-BASED PAYMENTS (continued)

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

Share option scheme	Options outstanding 2006	Estimated fair value (3)
Tullett Liberty Equity Incentive Plan (1)	517,634	253p
	<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)	50,000	-	50,000	-
Forfeited during the year		-	-	-	-
Exercised during the year		-	-	-	-
Total prior to demerger		50,000	-	50,000	-
Conversion to Tullett Prebon options		17,796	-	-	-
Outstanding at end of year	(3)	67,796	-	50,000	-
Exercisable at end of year		-	-	-	-

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	TullettLiberty Equity Incentive Plan
Exercise price (p)	(3)	nil
Exercise price (p)	(3)	nil
Expected volatility		30%
Expected life (years)		3
Risk free rate		4.5%
Expected dividend yield		5%
Likelihood of ceasing employment before vesting		5%
Proportion meeting performance criteria		100%

TULLETT PREBON (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS as at 31 December 2006

20. SHARE-BASED PAYMENTS (continued)

The weighted average contractual life for the share options outstanding as at 31 December 2006 is 8 years (2005 9 years)

	2006 £000	2005 £000
Expense arising from share option plans	73	34

21. PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's immediate parent undertaking is Prebon Yamane International 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's Group financial statements are available from the registered office Cable House, 54-62 New Broad Street, London EC2M 1ST